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- Comparative Wage Rate Data in Collective Bargaining
- Compensating Supervisors and Technicians – Round Table
- The Wage and Price Pictures for the Last Year

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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Wages and Salaries—a Package Issue

IN A TIGHT labor market, such as generally exists today, most companies are faced with at least a seeming dilemma. They must pay wages and salaries that are competitive within their "community" in order to attract and hold the personnel they need. But, on the other hand, their wage costs must not be so high that the company's products or services are priced out of the market; in other words, they must remain competitive in the product market as well as in the labor market.

The problems that arise from these two necessities are, of course, different for various levels within an organization; and obviously they also vary from company to company and from industry to industry. Yet the over-all problem of maintaining a sound salary structure in the face of rising wages and higher starting salaries, to some degree, affects all companies.

In this package issue of the *Management Record,* wages and salaries are looked at from three different vantages: the value of comparative wage rate data in collective bargaining is examined; a round table discussion on compensating supervisors and technicians is presented; and an over-all picture of what happened to wages in 1956 is given.

Comparative Wage Data in Collective Bargaining

There was a time when a lot of people thought the main function of a company's bargaining team was to enunciate a firm "no" at the bargaining table when the union demanded "more." Today, even if there were no other considerations, such an attitude would be branded bad public relations. The company's team, like the union's team, comes to the bargaining table not only with certain demands and offers but also armed with facts so that it may argue its case intelligently and persuasively.

Comparative wage rate data are some of these facts that have come to play an important role in negotiations. Obviously, in bargaining, only those data are presented that bolster one's position. But whether used or not, all such wage information is valuable to know in advance of negotiations, because, unlike the old maxim, what one doesn't know *can* hurt one very materially.

The story starting on the next page considers how both companies and unions make use of these wage data. The types of data (area rates, industry rates, key job rates, etc.) that each side considers most valuable are examined, and the important sources for these data are given. Ten presentations of various types of wage rate data, which were actually used in bargaining, are reproduced in this article.

Compensating Supervisors and Technicians

Possibly the most pressing problem in the wage-salary area today revolves around the compensation of professional employees, particularly engineers. Because of the shortage of these trained men, starting salaries for professionals are high; they have to be for a company to get the men it needs. But the problem doesn't end there. What happens to the rest of the salary structure? Are those already on the payroll moved up so that differentials between jobs are maintained? Is no one moved up? And if the latter, how *are* job differentials maintained? No one is likely to suggest that the high intake of Miltown in the last year arises from these problems, but on the other hand few would deny the headaches that are the lot of the salary administrator who wants to keep the company's over-all structure sound.

In the Round Table, "Compensating Supervisors and Technicians," four wage and salary administrators look at the problem from various vantages. Earl F. Paul of Standard Oil (Indiana) discusses "Rate Determination for Professionals." L. M. Hanford of Carrier Corporation takes on the subject of "Salary Structures in a Tight Market." Charles H. Frost of Chas. Pfizer & Co. reports on "Incentive Bonuses for Supervisors and Technicians." And L. W. Fries of Monsanto Chemical writes on "Pay Differentials for Supervisors." The Round Table starts on p. 46.

The Wage Picture for 1956

Some readers may want to start with this over-all look at the wage increases recorded for 1956. Based on the Board's monthly compilation of confirmed settlements, the uptrend is unmistakable. But perhaps more interesting are the various industry patterns that have emerged. Last year's adjustments are compared with previous years; and fringes and tandem increases are reported on when the information is available. This special year-end review appears on p. 42. The regular monthly article on wage settlements starts on p. 64.

And for those who want to correlate the price picture with what happened to wages, the year is reviewed pricewise in the article starting on p. 57. The five major components that make up the consumer price index are traced from December to December, during which time a 2.2% rise was recorded—by far the largest increase of the past four years.

Comparative Wage Data in Collective Bargaining

COMPARATIVE wage rate data are part of the arsenal of facts that both company and union negotiators bring to the bargaining table.[1] And, even before negotiations start, this information plays an important role in preparation for collective bargaining.

Most of the companies and the unions that were surveyed by THE CONFERENCE BOARD[2] use such data to help determine what position they will take on wages and what strategy they will follow once negotiations start. For example, if the pattern of wage increases within an industry is 8 cents, many management officials prepare to make 8 cents their final offer. And often they are ready to face a strike rather than exceed this limit. In other words, these data provide them with a kind of "measuring rod" that tells them how far they can go without "getting out of line," and whether the union demands are fair.

HOW COMPANIES USE WAGE RATE DATA

Once the bargaining sessions have started, comparative wage rate data help company negotiators in other ways. They are facts—which often can support management's position. And they provide counter-arguments to the union's demands. As such, this information is frequently brought to the bargaining table in the form of charts, tables and graphs. And, as will be shown in the second half of the article, unions usually do the same thing.

As a Communications Medium

Employers make use of wage and salary data in their communications to the public and to their own employees. During labor disputes, company executives frequently publish newspaper advertisements which show that their wage rates compare favorably with those paid in the industry or in the area. A number of companies use wage data in pamphlets aimed at their employees to demonstrate how well the company's wages compare with other companies.

A California company makes graphic use of external wage data in its employee communications program as preparation for any future negotiations. Above the

Table 1: Types of External Wage Rate Data Used by 213 Companies

By Size of Company

External Wage Data	Number of Companies	Number of Employees			
		1-249	250-999	1,000-4,999	Over 5,000
Total companies	213	26	48	67	72
Industry rates					
Straight-time job rates	151	21	34	44	52
Rates for key jobs	84	7	17	22	38
Average earnings	120	12	31	30	47
Do not gather this information	26	4	6	10	6
Area rates					
Straight-time job rates	150	22	35	46	47
Rates for key jobs	100	10	21	31	38
Average earnings	128	16	31	36	45
Do not gather this information	21	2	4	4	11
Figures for nation as a whole					
Straight-time job rates	48	7	9	13	19
Rates for key jobs	37	4	4	13	16
Average earnings	87	8	15	26	38
Do not gather this information	114	16	31	34	33
Pay rates from contracts of union with which company deals					
Straight-time job rates	124	11	30	40	43
Rates for key jobs	60	4	12	14	30
Average earnings	80	8	19	21	32
Do not gather this information	73	15	13	23	22
Miscellaneous[1]					

[1] Two companies with between 250 to 999 employees use competitors' rates for straight-time jobs, key jobs and average earnings; one company of the same size similarly uses classification rates; one company with between 1,000 to 4,999 employees uses incentive earnings for all three categories; and two companies with more than 5,000 employees use rates paid by suppliers.

Table 2: Types of External Wage Rate Data Used by Twenty-six Canadian Companies

External Wage Data	Number of Companies
Industry rates	
Straight-time job rates	19
Rates for key jobs only	13
Average earnings	19
Area rates	
Straight-time job rates	20
Rates for key jobs only	16
Average earnings	17
Figures for nation as a whole	
Straight-time job rates	7
Rates for key jobs only	6
Average earnings	15
Pay rates from contracts of unions with which company deals	
Straight-time job rates	15
Rates for key jobs only	9
Average earnings	9

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[1] For alternative uses of wage surveys, see "Compensation Surveys for High-Level Positions," *Management Record,* December, 1956, p. 418; and "The Uses of Wage Survey Data," by Stanley P. Farwell, *Conducting Wage Surveys,* University of Minnesota, 1949, p. 3.

[2] Data were collected from 213 companies in the United States, twenty-six companies in Canada and thirty-eight international unions.

main entrance to its plant it prominently displays the figures shown in Examples A and B. Example A lists eleven jobs that are common in the industry and compares this company's hourly wages with those paid by its competitors for the same jobs.

Example B shows another group of figures headed "competition." These give the selling prices for the California company's products as well as the prices charged for the same items by its leading competitors. These figures demonstrate that the company pays more in wages than its competitors; but it also charges more than they do. Company executives report that this tabular presentation vividly demonstrates to its employees that there is a limit to what the workers can demand—if the company is to keep its competitive position and not price itself out of the market.

Types of Data Gathered

Companies gather two basic types of comparative wage data: (1) external wage rate data covering wages or salaries paid at any given time by other firms to a specified group of workers; and (2) the size of the increases granted by companies in union contract settlements.

Within these two broad classifications, a company may seek other more specific types of data. The company may gather its data on an area basis or on an industry basis. It may be interested in figures for the country as a whole or only for those companies that deal with the same union. If the company is in a pattern-following industry, it may be particularly interested in the wage settlements of such companies as United States Steel, General Motors, or General Electric. Or the company executives may only be interested in rates for key workers. On the other hand, they may want information on all jobs, or they may want data covering the average earnings of workers.

Area Rates

In attempting to determine wage rates, companies are usually very much influenced by the going rates in the geographical area in which they compete for employees. Therefore, as can be seen in Tables 1 through 4, most companies compile area rates.

In preparing for negotiations, a Pennsylvania company (as can be seen in Example C) makes use of area rates by comparing the wages it pays common laborers with those paid by its main competitor in the area. The chart presents these data by showing

Example B: Competition—Typical Prices for Comparable Quantities

	The California Company	Company A	Company B
Item A	$5.19	$5.10	$5.08
Item B	6.20	6.11	6.08
Item C	7.20	6.50	None presently manufactured.

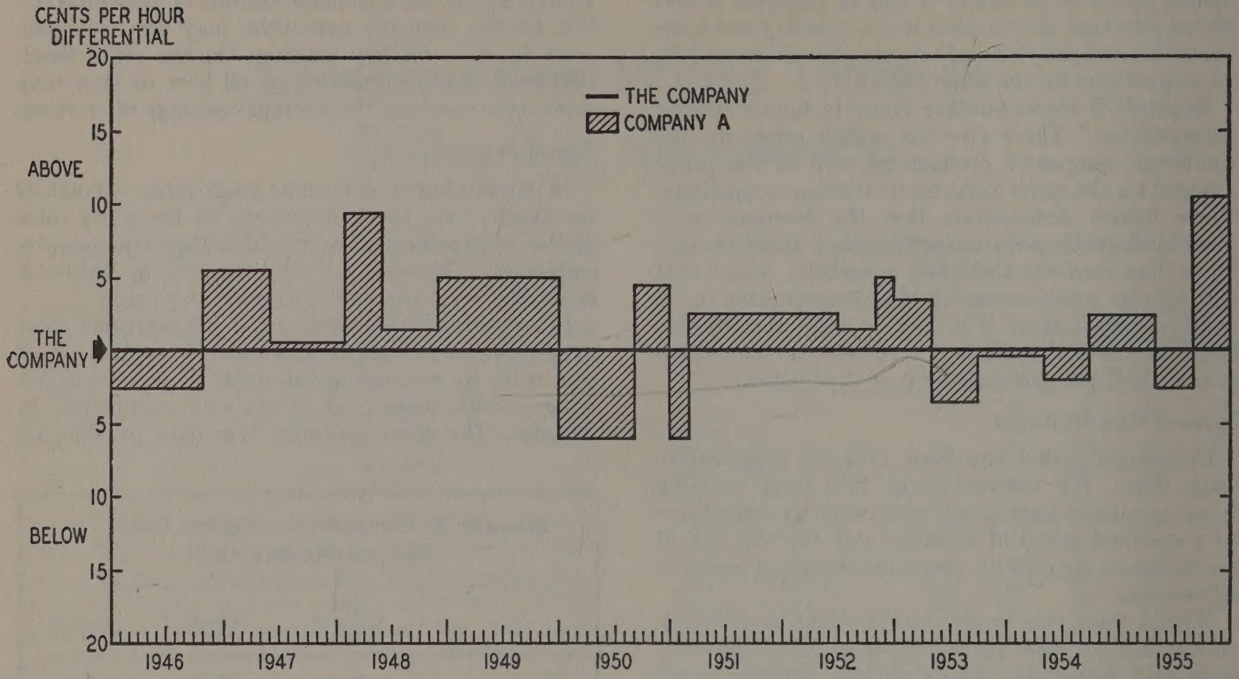
Example A: Factory Wage Comparisons in Hourly Earnings

Job	Company A	Company B	Company C	Present Wages Paid by California Company	Proposed Wages of California Company
Floor inspection (machine shop)	$1.655	$1.66-$1.89	$1.795-$1.855 1.745- 1.805	$1.82	$1.87
Tool & gage inspection	2.19	1.82- 2.12	2.295- 2.355	2.17	2.23
Tool crib attendant	1.545	1.49- 1.54	1.67- 1.73	1.82	1.87
Tool & die (unlimited)	2.48	2.20- 2.39	2.475- 2.535	2.53	2.60
Tool grinder (unlimited)	2.48	2.04- 2.24	2.235- 2.295	2.28	2.34
Janitor	1.545	1.20- 1.40	1.515- 1.575	1.58	1.62
Punch press operator	1.655	1.50- 1.64	1.775 2.065	2.05	2.11
Drill press (multiple-spindle drill press)	1.78	1.55- 1.69	1.775 1.85	1.93	1.98
Turret lathe (multiple-spindle drill press)	1.91	1.69- 1.99	1.87 1.98	1.93	1.98
General assembler	1.545 1.44	1.20- 1.40	1.505 1.55	1.47	1.51
Automatic screw (Brown and Sharpe)	2.005	1.86- 2.05	1.785 1.95	2.05	2.11

▲None of these contracts offer cost of living allowance.▲

▲Includes cost of living allow-▲ ance—presently 18 cents

Example C: Common Labor Rate Differential



the average cents-per-hour difference between the Pennsylvania company's rates and those of its chief competitor, Company A. The Pennsylvania company's rate is represented by a straight line with the other company's differential shown as either so many cents above or below this line. One of the firm's executives points out that since its major competitor usually negotiates with the union earlier in the year than does his firm, these data "serve as an indicator of the size of the wage settlement we can expect to reach."

Prior to negotiations, an eastern company gathered area rates to discover where its wages were out of line. The company's executives learned that they paid lower than the average of all other companies in the community for almost every job. Consequently they anticipated a demand for a wage increase from their union, and recognized the need for raises in pay if they were to compete for labor.

At the negotiating table, the same data can serve several uses. A New England company, to counter union demands, collected data to show the union that all of its nonunion workers as well as those in its bargaining unit received higher earnings than thirteen other companies in the area.

An eastern company, on the other hand, was confronted with the fact that it paid lower rates than other companies in the area. But, because of a large amount of overtime, its total earnings where high. It therefore prepared charts to stress this fact in negotiations with the union.

Industry Rates

Industry wage rates, like area rates, are of intense interest to companies (see Tables 1 through 4). Several companies point to the difficulties they face if there is a conflict between the wages paid in the industry and those in the area. One industrial relations executive describes the horns of his dilemma as follows: "In our industry we must be competitive, which means we cannot pay higher wages. But in our community, we must compete with other industries for labor." Many firms face similar problems when they have plants throughout the country—for example, one plant in a low-wage area and another in a high-wage area. An executive reports that he attempts to resolve this difficulty by paying rates that are about in the middle.

But since the cost of labor is an important factor in the price of the finished product in most instances, what a company pays its workers in Rochester, New York, as compared with what its competitor pays in Peoria, Illinois, is of vital importance.

Certain examples graphically demonstrate the interest in industry rates. For instance, one southern company's executive, prior to negotiations, wanted to obtain information on the pattern of wages being paid by his industry in the South so that he could both anticipate union demands and know how much he would have to pay in order to hire certain types of workers. He therefore chose certain specific jobs and

Table 3: How 213 Companies View the Use of Wage Settlement Data During Negotiations

By Size of Company

Practice	Number of Companies	Number of Employees: 1-249	250-999	1,000-4,999	5,000 Over
Total companies	213	26	48	67	72
Do you use other companies' latest wage settlements?					
Yes	201	25	43	63	70
No	7	1	3	1	2
Occasionally	2	0	1	1	0
Only for industrial trends	1	0	1	0	0
No answer	2	0	0	2	0
If you do, in what form?					
Settlements negotiated by other firms in company's industry	171	19	34	50	68
Settlements negotiated by union with which company deals	155	15	34	49	57
Settlements in company's immediate job area	154	21	30	51	52
Settlements negotiated by big companies such as General Motors, General Electric, U. S. Steel	109	8	18	29	54
Settlements negotiated by subsidiaries of parent company[1]	8	—	2	3	3
Settlements negotiated by related industries, such as suppliers[1]	3	1	0	0	2
Settlements negotiated with other unions[1]	2	0	0	0	2
Settlements negotiated in depression-ridden industries[1, 2]	1	0	1	0	0
Settlements negotiated in all communities covered by the company[1]	1	0	0	0	1

[1] These answers were given in answer to the question "[What] other collective bargaining settlements [do] you use?"

[2] This company listed rugs, woolens and Studebaker as examples of depression-ridden industries and said it uses this information as an argument during negotiations.

compared the wages his company paid with those paid by other companies. This survey (shown in Example D) also included the median wage paid for each job by all southern companies surveyed, and the amount of increase required for his company to reach this median.

An aircraft company prior to negotiations made use of a survey of wages paid welders in that industry, because these men are of vital importance in aircraft production. It discovered that it did not pay as well as other aircraft companies, and that to get welders it would have to pay more. The company also anticipated that the union might have something to say about this situation the next time they sat down at the negotiating table.

A midwestern company's negotiators were ready to

(Continued on page 69)

Table 4: How Twenty-six Canadian Companies View the Use of Wage Settlement Data During Negotiations

Practice	Number of Companies
Do you use other companies' latest wage settlements?	
Yes	24
No	1
Occasionally	1
No answer	0
If you do, in what form?	
Settlements negotiated by other firms in company's industry	24
Settlements negotiated by union with which company deals	22
Settlements in company's immediate job market area	14
Settlements negotiated by the big companies such as General Motors, Canadian General Electric, Steel Company of Canada	13

Example D: Analysis of Hourly Wage Rates of Southern Companies in X Industry

Classification	*The Company*	Company A	Company B	Company C	Results of Industry[1] Survey: Median	Mode	Increase Required for *The Company* To Reach Median for Industry
Lime Kiln Operator	$1.80	$1.91	$1.94	$1.92	$1.89	$1.89	$.09
Clean-Up Man	1.25	1.21-1.32	1.27-1.32	1.27-1.32	1.32	1.32	.07
Caustic Operator	1.95	1.97	1.88	2.02	2.02		.07
Caustic Helper	1.60				1.65		.05
Recovery Operator	2.16	2.21	2.24	2.25	2.24		.08
1st Helper (Recovery)	1.74	1.74		1.77	1.79		.05
2nd Helper (Recovery)	1.48			1.60	1.53		.05
Tube Lancer	1.45	1.46	1.39	1.46	1.46	1.46	.01
Evaporator Operator	1.95	2.01	2.00	2.07	2.02	2.02	.07
Cooks	2.16	2.18	2.24	2.22	2.22		.06
1st Helper (Digester)	1.74	1.74	1.89	1.77	1.77	1.75	.03
2nd Helper (Digester)	1.48		1.55	1.57	1.56		.08
Washer Operator	1.95	1.94	1.82	2.20	2.02		.07
Screen Room Operator	1.95	1.91	2.24	2.20	2.01		.06
Screen Helpers	1.60		1.89	1.71	1.61		.01

[1] Industry survey included more companies than the examples given.

The Wage Picture for 1956

Many factors played a role in the continued uptrend of wages last year. Here the over-all picture is examined as well as various industry patterns

A NOTABLE COMPONENT of the prosperity that has marked 1956 is the continued upsweep in wages—a pattern that has persisted since the national defense days prior to World War II. In the past year, four factors have played an important role in the wage picture. These are:

1. Automatic increases that came into effect in 1956 as a result of contracts negotiated in previous years.
2. Increases granted in newly bargained contracts signed in 1956.
3. Tandem increases granted to nonunion salaried personnel after contract settlements with bargaining units.
4. The Federal Government's upward revision of the minimum wage.

The new wage floor, which was effective March 1, sets the minimum pay for employees covered by the Fair Labor Standards Act at $1 an hour. While the full impact of this statutory requirement is not easily determined, established wage differentials in all likelihood have exerted upward pressures on rates that were already at or above a dollar when the new minimum went into effect.

Wage increases are recorded for all segments of industry. The settlement of major conflicts in the electrical equipment industry and the pattern-setting basic steel agreement added drama to the procession of upward adjustments that, for the most part, added a dime an hour to the workers' pay.

HOURLY VS. PERCENTAGE INCREASES

The more than 800 confirmed hourly adjustments affecting wage earners averaged 9.8 cents. The average increase of 9.2 cents to salaried employees is only about one-half cent less than the amount reported for the wage earner group. No decreases were reported for the year, and those below 6 cents comprise only about 13% of the total.

Percentage increases were more in evidence during 1956 than they have been in previous years. A total of 275 such increases were confirmed, 180 of which apply to wage earners and the remaining ninety-five to salaried employees. This compares with a total of 189 last year, of which 115 involved wage earners and seventy-four, salaried employees. The increase in the number of confirmed percentage adjustments in 1956 would seem particularly significant in view of the drop in total adjustments reported. About three-fifths of the percentage adjustments cluster between 5% and 6.9%—and this holds for both wage earner and salaried groups. (See Tables 1 and 2.)

Highlights of 1956 Adjustments[1]

The average adjustment[2] was close to 10 cents an hour, with increases concentrated most heavily around 9 cents. This is a continuation of the trend which began in late 1955.

The salary adjustments reported conform closely to the wage increases, although they were about a half cent lower.

Canadian wage adjustments averaged about 2 cents less than in the United States.

Fifty-eight per cent of new contracts were long term.[3] Of these, three-fifths provide for automatic increases in future years.

Fringe benefits are found in three out of four of the adjustments.

About 20% fewer settlements were confirmed in 1956 than in 1955—a reflection of the long-term contracts signed in previous years, many of which provide for automatic wage adjustments.

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[1] Summarized from data compiled by THE CONFERENCE BOARD through its continuing survey conducted in the United States and Canada.

[2] Arithmetic mean

[3] Eighteen months or longer

WAGE ADJUSTMENTS IN RECENT YEARS

The two accompanying charts review wage adjustments in recent years.

It will be noted in Chart 1 that in 1956 over half the wage increases are for 9 cents or more, while in 1955 only about a fifth are that high.

In Chart 2, the central 60% range of wage adjustments for each of the last three years are compared, as well as the four half-years of 1955 and 1956. As can be seen, in the latter case the most dramatic change in wage adjustments occurred in the second half of 1955. Whether this is indicative of a leveling off of wage increases is a moot question. Many long-term contracts were negotiated in 1955 that contained automatic increases for 1956. Therefore no bargaining was involved in these 1956 adjustments.[1] And since the average settlement in 1955 was lower than in 1956, companies that signed contracts in 1955 with automatic increases for 1956 may conceivably agree to "make up the difference" in 1957. Indeed some firms have already voluntarily opened long-term contracts in order to adjust wages to conform with 1955-1956 developments. A case in point is the agreement between Pathfinder Chemical Division of Goodyear Tire and Rubber Company and the Oil, Chemical and Atomic Workers, AFL-CIO. Their contract, scheduled to terminate in August, 1957, was voluntarily reopened to adjust wages to the area pattern. Two increases of 7.5 cents each, effective in April and August, 1956, resulted from the new agreement.

This underscores the increasing interest in longer-term contracts. During 1956, 58% of new contracts reported to the Board were for eighteen months or longer (and few of these were for less than two years). Three-fifths of these contracts provided for automatic increases, thereby removing the parties from the bargaining scene for the coming year at least.

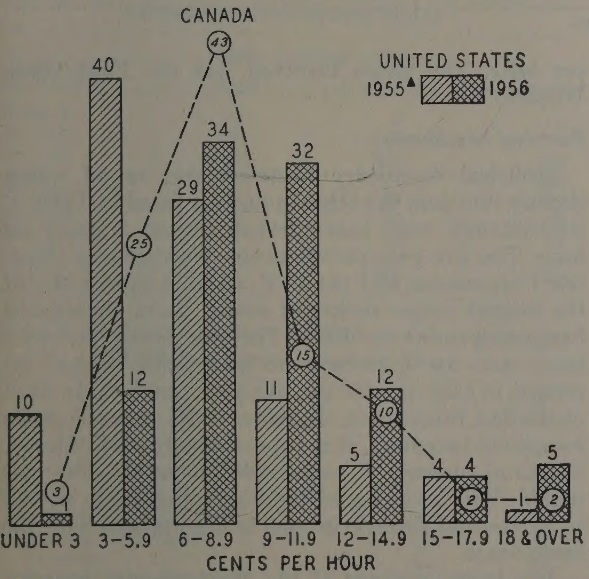
INDUSTRY PATTERNS

While wage adjustments in most industries, as already indicated, were heavily concentrated around 9 cents an hour,[2] many were higher, some notably so. Only a few were lower.

Among the industries granting larger increases were primary metals; food; and stone, clay and glass products. Various industries will be considered separately here. (See Table 1.)

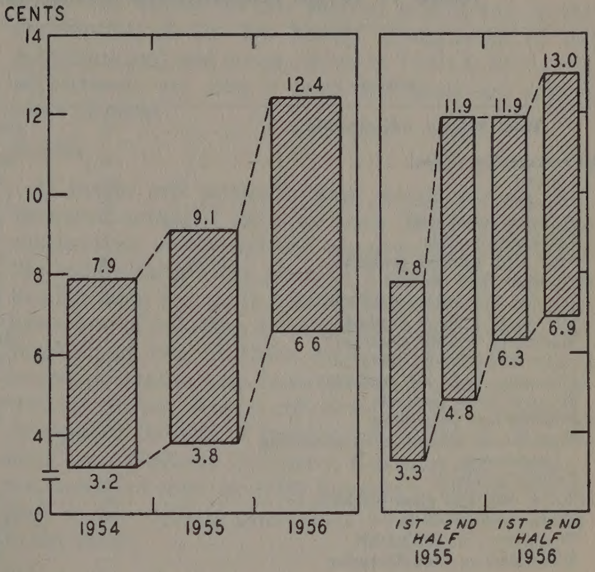
Chart 1: Two Years of Wage Change

Per Cent Distribution



▲ Includes some Canadian adjustments totaling less than 2% of all adjustments reported.

Chart 2: Central 60% of Hourly Wage Adjustments



Primary Metals

Wage increases in the primary metals group concentrated most heavily around 10 cents an hour, and were obviously influenced by the strike settlement between the Steelworkers and the twelve basic steel companies. This settlement provided a pattern for other steel companies and related firms to follow. The pattern settlement grants an initial hourly increase of 7.5 cents plus increment increases of .3 cent an hour. In 1957 and 1958, Steelworkers will get a similar combination of a 7-cent general increase and .2 cent added to increments. The union values the wage portion of the package at 10.5 cents for 1956 and 9.1 cents for each of the two succeeding years.

The pattern settlement also provided for a broad revision of other benefits which include: a cost of living adjustment of 1 cent for each .4 or .5 rise in the BLS consumer price index; agreement on a SUB plan financed by company contributions of 3 cents per man-hour plus 2 cents per man-hour contingent liability; Sunday premium pay, holiday overtime pay; an additional paid holiday; jury duty differential pay; increased shift premiums; longer vacations for some groups; and increased company and employee contributions to the insurance fund.[1]

Food and Kindred Products

Another relatively high-increase industry—food and related products—bargained widely varied adjustments. The concentration point, however, was about

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[1] Long-term contracts that provide automatic increases at later dates are reported at the time a contract is signed. However, the automatic increases do not show up in the Board's compilation of adjustments at the time they go into effect.

[2] Approximation to the mode.

[1] For a complete analysis, see "The Steel Strike Settlement" in the August, 1956, *Management Record*, p. 270.

Table 1: Wage Adjustments Confirmed in 1956, by Industry — United States

Industry	Number of Adjustments Reported in Cents per Hour[1]							
	Under 3	3-5.9	6-8.9	9-11.9	12-14.9	15-17.9	18 & Over	Total
Total Hourly Adjustments	6	102	279	257	99	36	44	823
Manufacturing—Total	6	83	235	221	88	32	39	704
Apparel	—	4	5	5	3	1	—	18
Chemicals	—	11	18	36	13	6	1	85
Electrical machinery	—	4	16	12	1	—	1	34
Fabricated metals	1	—	14	17	5	1	—	38
Food and kindred products	2	8	17	31	12	7	2	79
Furniture and fixtures	—	1	2	4	1	—	—	8
Leather and leather products	—	3	7	—	1	—	—	11
Lumber and wood products	—	3	7	3	1	—	—	14
Machinery (except electrical)	—	10	35	19	9	3	5	81
Paper and allied products	—	8	24	21	5	1	1	60
Petroleum and coal products	—	—	—	2	1	3	1	7
Primary metal products	—	1	10	21	3	1	—	36
Printing and publishing	—	2	1	3	1	—	—	7
Professional, scientific and controlling instruments	1	—	3	5	1	—	—	10
Rubber products	—	—	12	2	4	—	—	18
Stone, clay and glass products	—	7	13	13	8	4	28	73
Textile mill products	2	11	21	3	8	1	—	46
Transportation equipment	—	4	18	20	7	4	—	53
Miscellaneous manufacturing	—	6	12	4	4	—	—	26
Nonmanufacturing—Total	—	19	44	36	11	4	5	119
Communications	—	6	17	10	—	—	—	33
Construction	—	—	1	2	1	1	—	5
Mining	—	—	3	3	—	2	1	9
Public utilities	—	—	5	4	6	—	1	16
Services	—	4	2	3	—	—	1	10
Transportation	—	3	12	10	4	—	2	31
Wholesale and retail trade	—	6	4	4	—	1	—	15

	Number of Adjustments Reported as a Per Cent of Earnings[1]						
	Under 3	3-3.9	4-4.9	5-5.9	6-6.9	7 & Over	Total
Total Per Cent Adjustments	2	19	19	45	58	37	180
Manufacturing	2	19	16	31	49	30	147
Nonmanufacturing	—	—	3	14	9	7	33

[1] Includes some adjustments that were reported in both hourly and percentage terms.

10 cents per hour. The widely publicized meat-packing agreements, which were made in the fall, provided for initial increases of 10 cents an hour. They also called for 7.5-cent increases in 1957 and 1958, as well as narrowing or eliminating wage-sex differentials, and increasing premium pay. Improved welfare benefits were also negotiated.

Stone, Clay and Glass Products

Industries manufacturing products of stone, clay and glass granted increases concentrated around two points. As can be seen in Table 1, twenty-six of the seventy-three adjustments reported for the industry cluster between 6 and 12 cents; another twenty-eight fall in the 18 cents-and-over group—which is composed mainly of 18-cent adjustments in the cement manufacturing sector. Glass manufacturing in general settled for 10 cents an hour. However, members of the Glass Container Manufacturers Institute and the National Association of Pressed and Blown Glassware agreed upon a 6% increase with a minimum of 10 cents per hour. The union involved was the Flint Glass Workers.

Electrical Machinery

Electrical machinery manufacturers raised wages slightly less than the other industries listed in Table 1. Adjustments were concentrated around 8 cents an hour. The five-year pact between Westinghouse Electric Corporation and the IUE, which followed one of the longest major strikes of recent years, dominated bargaining news in 1956. The agreement increases basic rates up to 12 cents an hour, with "adder" increases in each year of the five-year contract. In each of the first three years, the adder is 3%; in each of the remaining two years, it is approximately 3.5%. Hence, the total increase is about 16% over the five-year period. This is similar to the wage progression agreed to by General Electric in 1955 in negotiations with the same union.

The fringe package of the Westinghouse contract includes extended vacations, improved pensions, liberalized group insurance, paid funeral leave, and cost of living adjustments.

Of the sixteen wage adjustments reported by electrical machinery manufacturers during the year, eleven were for 3%.

Petroleum

The year began with the major oil companies offering 6% increases to their employees—both union and nonunion. As more and more unions accepted the offer, it became the pattern for the industry. And most companies granted the same adjustment to the unions with which they were not scheduled to negotiate wages as they did to those with which they were scheduled to negotiate. All of the eighteen percentage increases reported to the Board by the industry in 1956 were for 6%, with a minimum adjustment of 15 cents per hour. The impact of this pattern is reflected in the distribution of the few hourly adjustments in the petroleum and coal group, shown in Table 1. All hourly adjustments are over 9 cents and most are for 12 cents or more.

Table 2: Salary Adjustments Confirmed in 1956 — United States

	Number of Adjustments Reported in Cents per Hour[1]					
	3-5.9	6-8.9	9-11.9	12-14.9	15 & Over	Total
Total	15	45	31	14	6	111
Manufacturing	10	38	27	13	5	93
Nonmanufacturing	5	7	4	1	1	18

	Number of Adjustments Reported as a Per Cent						
	Under 3	3-3.9	4-4.9	5-5.9	6-6.9	7 & Over	Total
Total	1	11	10	31	22	20	95
Manufacturing	1	10	8	23	18	17	77
Nonmanufacturing	—	1	2	8	4	3	18

[1] Includes some weekly and monthly adjustments which were converted to cents per hour on the basis of a forty-hour week.

Table 3: Wage Adjustments Confirmed in 1956 — Canada and the United States

Cents-Per-Hour Increase	Number of Adjustments in: Canada	Number of Adjustments in: United States	Total Adjustments
Under 3	3	6	9
3— 5.9	29	102	131
6— 8.9	49	279	328
9—11.9	17	257	274
12—14.9	12	99	111
15—17.9	2	36	38
18 & over	2	44	46
Total	114	823	937

Table 4: Contract Duration in 1956 and Provisions for Adjustment During Contract Term

	No. of Contracts	% of Contracts
New contracts	799	100
Short term: less than eighteen months	339	42
Long term: eighteen months and more	460	58
Long-term contracts with:	460	100
Automatic increases	286	62
Reopeners	122	27
No provision	51	11
Automatic increases and reopeners	1	—

Textiles

In textile mill products, wage increments are concentrated around 7 cents an hour. This represents a continuation of the uptrend reported last year when the concentration was close to 3 cents. No increase was less than 3 cents in 1956; in 1955, twenty-one adjustments of less than 3 cents were confirmed by the Board, and two of these were decreases. In 1954, twelve decreases were reported by the industry. By way of contrast, some textile firms last year voluntarily boosted the pay of their union employees. Standard-Coosa-Thatcher Company, Chattanooga, Tennessee, indicated that the 7.6% increase to some 1,100 of their textile workers came about as a voluntary offer to the union.

Nonmanufacturing

Nonmanufacturing industries, on the whole, granted wage increases about a half cent lower than did manufacturing industries. The concentration of adjustments in both groups, however, is close to 8.5 cents. A number of one-year telephone settlements were reported around the country in 1956. These varied by locality but were mostly weekly increases of from $2 to $5, depending upon the skill level. In public utilities, adjustments were largely stated in percentage terms; of the twenty-seven percentage increases, twenty-two were from 5% to 7%.

FRINGE BENEFITS

Fringe items often play an important role in the total compensation package. About 10% of the confirmed adjustments omit data on fringes, but where such data are available more than three out of four contracts include new or liberalized fringe items. These range from a single item, such as jury-duty or funeral-leave pay, to a dozen or more—including employment security and noncontributory major-medical coverage.

Fringe benefits divide mainly into two categories: health and welfare, and paid time off. In the first group, increased life insurance, hospital-medical-surgical plans, sick and accident benefits, and pensions figure prominently. About half of the reporting companies that provide fringe data include some or all of these. Embodied in some contracts are pension provisions based upon the new Social Security ruling that permits women to retire at age sixty-two. The agreement between Yale & Towne Manufacturing Company and the Office Employees, AFL-CIO, reported in the October, 1956, *Management Record,* includes such a provision.

(Continued on page 53)

Compensating Supervisors and Technicians[1]

Methods of compensating supervisory employees have become a matter of fairly chronic concern to industry. As the demand for technical and professional employees continues ahead of the supply, companies are being forced to face the problem of establishing salary rates that will attract such employees to the company, and at the same time to maintain equitable rates for longer-service employees so that the over-all salary structure is not thrown out of line.

How can this be accomplished in a tight market? What role do incentive bonuses play in compensating supervisors and technical personnel? What is a satisfactory pay differential between the supervisor and the employees under him? And how may a company determine its rates for professional employees? These are some of the recurrent problems that are discussed by the following panel:

Earl F. Paul, Supervisor, Wage and Salary Section
Standard Oil Company (Indiana), Chicago, Illinois
L. M. Hanford, Director, Wage and Salary Administration
Carrier Corporation, Syracuse, New York
Charles H. Frost, Wage and Salary Administrator
Chas. Pfizer & Co., Inc., Brooklyn, New York
L. W. Fries, Manager, Wage and Salary Administration
Monsanto Chemical Company, St. Louis, Missouri

Rate Determination for Professionals

by Earl F. Paul

GENERALLY SPEAKING, the term technician refers to a broad category of persons who are skilled in a trade, art, subject, or profession. It embraces those whose pursuit requires manual or mechanical training or dexterity, as well as those who have acquired a knack through experience, study and observation in an area of specialization, such as laboratory or engineering assistants. It also embraces those in the classical professions.

It is difficult to draw precise distinctions among these categories, particularly between technicians and professionals. Yet for salary administration purposes, this is generally necessary because of differences in rate determination, which reflect the results of job evaluation.

After passage of the Wagner Act in 1935, professional employees became increasingly fearful of being submerged in the unions of rank and file employees. And their desire to be treated as a separate entity under the law became more pronounced. Through the concerted effort of professional societies, the National Labor Relations Board established a doctrine providing a distinction between professional employees and other technical personnel.

Later, this distinction became more specific in a provision of the Taft-Hartley Act that permitted professional employees to determine their own bargaining status. This provision also defined professionals in such a way as to clearly set them apart from other classes of employees performing semiprofessional work. And this definition closely parallels the one in the Fair Labor Standards Act. Briefly, both define professionals as persons required to possess knowledge of an advanced type in a field of science or learning, which customarily they have acquired by a prolonged course of specialized instruction, such as engineers, chemists, and so forth, and who, as a class, constitute a specific and restricted part of the broader category of technician.

This is the group we are concerned with here, both because of current interest in professionals (who are playing such an important role in national defense, in our expanding economy, and in the technological advancement of American industry), and because the scarcity of professional personnel—especially engineers—has presented industry with new problems of rate determination.

Any discussion of rate determination must include a discussion of job evaluation, which, as most of us know, is a procedure for establishing equitable relationships between jobs so that wages and salaries will be fair and uniformly consistent within a company. It is the general rule in job evaluation to consider each job as a prescribed set of duties and responsibilities calling for a prescribed amount of education and experience. The evaluation is concerned with the job—not the man in it.

This philosophy of evaluation on a job basis becomes increasingly difficult as we go up in the hierarchy of managerial and high-level staff jobs. In these areas, an incumbent having broad latitude in his operations and through the application of superior attributes or qualifications, sometimes enlarges the job to such an extent that it may be evaluated higher than before. This is the significant difference between the evaluation of professional and managerial jobs and the evaluation of jobs at lower levels.

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[1] A Round Table discussion held at the 371st meeting of the National Industrial Conference Board in St. Louis, Missouri.

In American industries employing large engineering or chemical research staffs, it is common practice to grade professional work into classifications and, regardless of the number of such classifications, evaluate them so that salaries paid incumbents are uniformly consistent with those paid for other work in the various departments of the company.

In a few companies, the same objective is reached through the establishment of maturity curves, which control individual salaries on the basis of relative performance and years of experience. In still other companies, particularly the smaller ones, salaries of professional employees are administered on a random basis by individual negotiation without the aid of systematic administration guides.

Affecting all of these methods is the inexorable law of supply and demand brought strongly into play by the current extreme shortage of professionals.

* * *

When classifications are established for distinct job grades, salary ranges are usually applied to them. Such salary ranges generally have a spread from minimum to maximum of from 30% to 50%, with an overlap to the next grade of about one-half to slightly more than one-half.

As a rule, professional employees are hired into the lowest applicable professional classification, which requires at least a bachelor's degree, but no previous professional experience. When their experience and performance warrant it, these employees are moved into the next professional classification by what might be called a "growth promotion." They continue upward in this manner through each professional classification, except in the case of a "regular promotion," where they move into supervisory or administrative jobs or higher jobs in the line organization.

The growth promotions differ from regular promotions in that they do not involve replacements for vacated jobs. Rather they are actually the upgrading of persons into higher classifications. The accompanying pay increases under this arrangement are treated as promotional salary increases. In the interim, while acquiring the experience needed for a growth promotion, merit increases within the limits of prevailing salary ranges are available.

Under this arrangement of salary classifications, starting salaries, promotional and merit increases, and other salary actions should be administered in such a way that the general level of salaries does not fluctuate extensively. When the general level of salaries is allowed to fall unduly, it is difficult to hold personnel. And when the general level is allowed to go up unduly, increased costs tend to affect the company's ability to remain competitive. The appropriate salary level is the one that, to the degree prescribed by the company's salary policy, conforms to the levels maintained in other companies for comparable work.

* * *

The level is generally maintained or controlled by one or a combination of the following methods or circumstances:

1. Salaries can and frequently are administered throughout the salary ranges in such a manner that the average of all salaries and the average of all salary range midpoints will be nearly equal.
2. The rather steady movement of personnel coming in at the bottom and going out at higher levels, as a result of terminations, transfers and so forth, will tend to prevent the "bunching" of professional employees in higher classifications, which could conceivably result from the growth promotions. However, with the increasing number of new professionals drawn into industry and the growing percentage who will have no outlet into managerial and supervisory lines, this bunching in a high classification may actually be in prospect.
3. The published surveys of salaries paid by governments, educational institutions and private industries to professional people, which almost invariably show employees' salaries by years of professional experience since they obtained their first professional degree, will serve as guides on how these employees are distributed on this basis in other companies and organizations.
4. Total amounts that may be given each year for merit increases are often limited to a certain percentage of payroll. This is usually determined by the amount the payroll shrinks as a result of turnover. Tests have shown that in large companies this shrinkage normally may be expected to be between 2% and 3%. In addition, annual increases for growth promotions can be expected to be between 1% and 2% of payroll.

Fan shaped curves or maturity charts are widely used in industry as a guide in the long-range charting of salary progress of individuals and as a supplement to other formal salary administration plans. In some companies, they constitute the entire plan of salary administration for professional employees. When used for either purpose, the chart in its basic form shows years of professional experience since first academic degree on the horizontal axis and salaries on the vertical axis.

Usually, further refinements are added in the nature of lines drawn on the chart representing the levels of salary that should prevail for those employees who, on the basis of performance rating, are in the top 10% of their respective age groups, in the bottom 10%, at the median point, and possibly at other intermediate levels. Employees are rated periodically and move upward salarywise in conformance with this guide and their performance ratings.

If an employee who has held a position in the top 10% area year after year should suffer some kind of reversal that causes him to fall to the bottom 10% he would, by merely standing stationary salarywise, gradually drop to lower salary levels on the scale as the scale moves forward to register the increasing years of experience for all employees covered by it. An even further refinement is sometimes used by adopting separate charts for professional employees holding Ph.D. degrees.

Companies using these charts for salary administration purposes have found that they force an appraisal of the personnel covered by them. Regardless of the form the appraisal takes, all employees at each age level are simply ranked from the poorest performer to the best performer. Thus, in reviewing the performance of all these employees in this fashion, more objective results can be expected than those obtained by appraising performance against previous performance or against standards such as "poor," "below average," "average," "above average" and "excellent."

For example, an industry that makes a highly specialized product required a certain type of technician who, at that time, was only being trained in Europe. World War II cut off this supply, so it became necessary to outbid other employers for such technicians and to start training new ones. In the meantime, the salaries paid to these employees increased out of proportion to salaries paid other employees, and the question arose as to whether the job should be upgraded in the job structure. Of course, the answer was no. The relationship of the job to all others remained the same, and to upgrade it would tend to re-create inequitable salary situations which the system of job evaluation was designed to correct. Instead, the company had to and did pay out-of-line salaries, which, being above established job values, were red-circled rates.

* * *

Like the technician in this illustration, the professional people today, particularly engineers, are in short supply. There are approximately a half million engineers at present, and they constitute the largest single category of professional employees. Sixty-five per cent to 75% of these engineers are employed in industry. During the past half century, the population of the United States has doubled, but the number of engineers has increased five times as rapidly and the number of scientists ten times. However, although graduating engineers have been increasing numerically since 1947, the percentage of such graduates to all male graduates has been steadily decreasing. This shortage has resulted in severe competition, and starting salaries have climbed higher and higher—in some instances, out of proportion to staff salaries.

Business Week of October 13, 1956, reporting on this situation and on this particular point, summarized a Harvard Graduate Business School survey as follows:

> "In 1951, its graduates averaged starting salaries of a little over $4,000 a year, reached $6,000 after three years. This year's crop is starting at slightly over $6,000. True, those 1951 graduates today are earning an average of $8,000—in effect doubling their salary in five years. But an observer of the group notes: 'The older ones figure they're worth twice the newcomers, so they should be getting $12,000. Complicating it further is that the 1951 group is already crowding, on a pure salary basis, its own superiors, who, in turn, started earlier at less and have had to fight longer and harder to get much further ahead.'"

This has created some real problems for salary administrators. Not only are they concerned with the narrowing differentials between salaries paid to beginners and salaries paid to persons already on the staff, but also they are concerned with the differentials between such salaries and those paid to supervisory and administrative personnel. Another problem involves widening differentials between salaries for professionals and nonprofessionals, a situation created by the professional salaries rising faster than those for the employees on the nonprofessional jobs.

* * *

Solutions in the salary administrator's field are limited. Some obvious approaches might be the following:

1. Keep percentage ratios constant. When starting salaries for professionals are increased, increase salaries at all other levels by amounts that will maintain previously existing differentials. This, obviously, would involve staggering increases in salary costs which, in turn, might affect the ability to compete successfully with other companies and even with other countries in the field of national defense.
2. Set up procedures for administration of professional salaries which are separate and independent from those prevailing for employees on nonprofessional jobs, and make no attempt to coordinate job evaluations and salaries between these categories until some greater degree of normalcy returns to the supply-and-demand picture. In the meantime, pay such salaries to beginning and other professionals as the competitive situation requires.

There are also some possible solutions outside of the salary administrator's field, such as greater utilization of professional men on the staff by removing from professional jobs all nontechnical work as well as all lower-level routine professional work, which can then be placed in the hands of nonprofessional technicians.

Another long-range solution is to alleviate the shortage by inducing more persons to enter the professional fields. While the increasing pay for such employees is in itself an inducement, many companies are providing further inducement through expanded educational foundations to provide more and larger scholarships to study engineering, chemistry and so forth.

Salary Structures in a Tight Market

by L. M. Hanford

THE question is: "How do we adjust salary structures to attract and to keep the engineers, supervisors and others who have the skills that are in short supply?"

The answer to this question can be found in the philosophy of salary structures and salary administration.

A salary structure is a series of rates or "price lists" that apply to several grades of jobs. Each grade has a salary range indicating the pay of each job.

These price lists are created and maintained to serve several purposes. First, the salary range applicable to any job determines the minimum and maximum rates to be paid to persons assigned to it. Assuming that the structure properly reflects the relative worth of different job grades, both the employee and the company are assured that the salary is sound as far as internal responsibility levels are concerned.

The continuity of this equitable situation is extremely important, but there is another reason for having a salary structure. It serves as a guide in paying salaries according to company policy. Policy may be expressed in many ways, but most always it has something to do with *going market rates*.

Employees, if they are to be productive, should be provided with a satisfying work experience, and part of this is adequate compensation. Every employee is interested in at least two things. One is a salary at a satisfactory level. The other, perhaps even more important, is that the salary must be equitable as compared with other jobs in the company.

Salary ranges that are compatible with those in the labor market for comparable work satisfies the first; salary ranges that are in line with responsibility levels, as determined by job evaluation, accomplishes the second.

And, of course, there is still another very fundamental purpose of a sound salary structure. The administration of a program like the one just described will help companies make a profit. At least two essentials are required to realize a profit. They are *high productivity, and control or reduction of costs*. Neither of these will exist without the enthusiastic cooperation of the employees. A vital job of management, therefore, is to conduct the business so that the willing effort of the employees will continue to be released in ever greater amounts. Adequately administered, sound salary structures can help us reduce costs.

If a company already has job evaluation and formal salary ranges, both should be kept current. If company objectives are to be attained, the tools used have to be up to date. In recent years, most of us have heard that one way to solve the problem of the shortage of engineers and other skilled workers is to make certain that their maximum skills are constantly being utilized. For example, if senior engineers are doing work which can be done by junior engineers, change the assignments accordingly. Then the senior engineer has time for additional responsibilities at his own level, while the junior engineer sees his prestige improved. And the company gets the work done at a lower cost per hour. As assignments are changed, jobs should be re-evaluated, evaluations should be reviewed, and changes made in job grades and salary ranges as required.

Next, it is essential that salary ranges be kept current so that they continue to show differentials between salary grades, and at the same time reflect going market rates in accordance with whatever the company policy may be.

We have said that rates should be kept current, but we must be sure there is no misinterpretation of the word "current." As a result of the various forces which exert pressure on pay scales in a tight market, it is easy to associate "current" with "high" or "highest." However, to others, keeping rate ranges up to date might mean maintaining them at a level equal to area averages. The point is that the term current has a different meaning to each of us. Therefore, company policy is basic to keeping our salary structures current.

If we are to live up to a policy, it is essential that we know something about the levels of salaries being paid by other companies. In selecting companies to survey, we should be sure that their general level of rates appears to be adequate.

For about fifteen years, it has been Carrier's policy "to maintain salary levels which are at least equal to those that prevail in the 'community' for similar work under comparable conditions, and to pay rates which properly reflect the evaluation of each position and the performance of each individual."

The word "community" is intended to mean the labor market involved. For exempt employees, our market is nationwide. Therefore, the surveys we make are conducted on that basis.

We visit a number of selected companies annually to collect salary information and related data. And for several years, we have adjusted our salary structures by the proper amount as determined by these surveys. Individual adjustments are then based on the change made in the appropriate rate range.

The result of these general reviews is that salaries remain on the same step within a given rate range. This is important because we use the specific steps in each of our rate ranges to reflect the individual's performance.

The lower half of the ranges are used primarily to cover inexperienced or new employees or those just promoted. The middle steps are for those doing satisfactory but not outstanding work, while the higher steps provide ample opportunity to reward those individuals who are turning in superior performances. Our intent is to keep the midpoint of each range as close as we can to the going market rates for jobs covered in that salary grade, and at the same time to maintain a sound line of progression between ranges.

We are convinced that this policy has helped us materially in attracting manpower at all levels. The fact that we will not pay premium salaries but abide strictly by established salary administration procedures indicates to the prospective employee he will be treated fairly by the company. It also builds morale with present employees.

✓

About March of last year, it became apparent to us that the rates offered to June graduates were being increased again. We knew we should increase our rates to tie in with the average being paid. But if we were going to treat all engineers fairly, we simply could not increase our starting rates for 1956 graduates without doing something for those who had joined us in the preceding years. Also, since about 50% of our exempt payroll is made up of engineering personnel, we had to visualize what effect all this would have on other exempt personnel. So the problem back in March became one of how to adjust all exempt individual salaries and the applicable salary ranges. At that time, we had only preliminary data concerning any adjustments the year might bring, but we had reason to believe July might be the right date.

With these and other facts in mind, we determined new starting rates for engineers and apprised our recruiters of the changes.

As of June 18, we completed a review of salaries for all engineering personnel, and individual adjustments were put into effect. We did not have a complete picture of the 1956 market adjustments so we had to work from our best estimates of the final figures. In view of the fact we did this ahead of the annual review of all exempts, we considered it as an "advanced phase" of the over-all adjustments.

When the final determination was made, we adjusted the balance of the exempt salaries, as well as the ranges in the proper amount.

Our adjustment of starting rates for engineers, the review of experienced engineers' rates, and the adjustment of the balance of the exempt rates had been executed as part of the master plan.

✓

There are additional ways of attracting employees of high standards to your payroll. About five years ago, a series of psychological tests were conducted covering a considerable portion of the engineers on our payroll and representing all types and levels. These tests were correlated with the progress and performance of each individual as shown over the years of his employment. From these data, we are able to draw a psychological profile of a successful engineer in our company in the fields of sales, application, research and development. Therefore when an engineer is being considered for employment, we can, with some confidence, tell him of his prospects in our organization because his test results have been checked with what we feel he should have in order to grow with us.

In many instances we make it possible for prospective employees to talk with our people in the same field. Frequently they are asked to go to our nearest district office to meet with and be interviewed by the manager.

It is also our policy to promote from within. In addition to adequate and proper compensation, most people like to know that hard work and devotion to duty can lead to advancement. Equally important, they should have some knowledge of the "promotion course." For instance, the foreman knows that the next step up is to become general foreman, and then superintendent.

Two or three years ago, we completed a study which indicated that about 85% of our foremen had been promoted to their jobs from the hourly payroll. Almost all of these men had qualified under our pre-foremanship training course. For along with the promotion-from-within policy, we provide training opportunities wherever there is a need. Training is offered to employees on all levels. For example, we have foremen training conferences and engineers' forums. We even have monthly meetings of the top 160 men in the organization, presided over by the chairman of the board. And all of these have been going on for more than ten years.

The problem of handling salary structures in a tight market is going to become more acute before it gets any better. During 1953, companies spent approximately $3.5 billion in research, development and engineering. This year the figure is $6.9 billion, and it is estimated it will be about $10 billion by 1960. Unless we find some way to produce the engineers to handle this increase, we are headed for trouble. Management has tremendous responsibilities in coming up with an answer. And, up to now, I do not think these responsibilities have been taken very seriously by enough of us.

Your attention is called to the fact that over the last five years, during which time shortages of engineers and technicians were becoming more acute, hundreds of high schools in this country were dropping mathematics, science and chemistry from their curriculums. Our young people do not know of the opportunities, or of the importance or of the excitement offered in these fields in the years ahead. Management must work with the leaders of our educational institutions to find ways and means of helping high school students learn about these opportunities and to prepare themselves for these fields.

Management, perhaps inadvertently, has actually contributed to the very shortages with which it is now confronted. In our zeal to obtain manpower, we offer attractive salaries to teachers and professors of these necessary subjects, and so bring them into industry. Accordingly, colleges and universities have shortages too; and, because fewer people are studying these subjects, our future supply of persons educated in these fields is reduced.

What we should be doing is contributing to our educational capacity. Approximately 40% of our high school graduates with the necessary intellect do not go on to college. And this condition exists at a time when the future has so much to offer our youth in the way of good job careers.

Incentive Bonuses for Supervisors and Technicians

by Charles H. Frost

THE WORD "incentive" has been defined as meaning to stimulate. The word "bonus" connotes a payment over and above the basic salary. By definition, therefore, an incentive bonus means an extra payment, over and above the basic salary, which is made to stimulate the work of the supervisor or technician.

In establishing an incentive bonus plan, whether it is for supervisors and technicians or for the rank and file, one must first determine company objectives. The paramount objective in any plan, of course, is to increase production and thus increase profits. To accomplish this, the company institutes a plan to stimulate employees to exert extra effort and to utilize their abilities to the utmost.

There are other equally important objectives—to improve morale, to reduce turnover, and to create a spirit of teamwork and identification with management among the supervisory and technical work force. This latter is particularly true when top management is also participating in some form of incentive bonus. On the other hand, rank and file participation in a bonus plan may be the reason for including supervisory and technical employees in such a plan.

But whatever the objectives may be, it is important that they be clearly understood by those persons responsible for developing the incentive plan. With the objectives clearly in mind, we are ready to decide upon the type of incentive plan we want.

* * *

There is no tailor-made plan. Surveys over the past years show that plans differ from one company to another, depending upon such things as: size of company; profit margins; company organization; type of industry; and so on. There are almost as many types of plans as there are companies having them. And they range from the purely informal discretionary bonus plan, in which payments are awarded on a year-to-year basis, to a plan in which the size of the incentive fund and the part of the fund each participant shall receive is calculated by means of a set formula. Both plans work well, depending upon circumstances and company objectives.

The advantages of an incentive bonus plan that is directly related to company profits become more firmly established in a formal written profit sharing plan. In the case of the informal year-end or Christmas bonus type of plan, even though it may have been awarded for several years, the management usually reserves the right to discontinue it at any time. Many believe this is a less effective incentive than a formal plan designed to stimulate supervisors or technicians throughout their period of employment with the company.

There are also many types of formal incentive pay plans not directly related to profits. These plans are based on various formulas, many of which are fixed in advance. They attempt to relate the amount of extra pay to employee performance measured against a predetermined standard. In so doing, the aim is to improve production and profit by making the supervisor's goal coincide with the company's.

Several points should be considered before deciding upon the type of incentive plan to be installed. First, there is a need to review the salary policy. Are your salaries generally high? Or, are they low? Or are they just about in line?

If the salaries for supervisors and technicians are low, an incentive plan is one way of bringing them into line. On the other hand, it might be well to do some re-evaluation of your jobs before establishing your plan. It would be difficult, for example, to sell a newly hired technician a job on the basis that his incentive bonus would make his total compensation equal to or perhaps slightly better than the base salary offered by another company.

If your salaries are comparatively high, you may find it difficult to justify the addition of an incentive bonus to these high rates. In this situation, the tendency has been to use the incentive bonus to replace future merit increases. This, however, could easily work against you.

If your salaries are just about right, you are probably in the best position to establish an incentive plan.

A second point to consider is the multitude of problems related to measuring employee performance. This is particularly true under a plan in which the amount of the bonus is directly related to employee performance as measured against a predetermined standard, since there are so many factors in supervisory and technical jobs that cannot be readily and directly calculated.

One method by which performance is measured is similar to the point method used in job evaluation. Another approach, as previously stated, is to measure actual employee performance against a predetermined standard. Still another is to review performance on a periodic basis, and compute the bonus considering general over-all factors such as results, methods, and personal qualifications. Other plans use the group that the employee supervises as the basis for measuring performance.

* * *

Another point to consider is the effect the new plan will have on other employees in the organization who may, or may not, be participating in another type of plan. The tempo and climate of the organization should be considered. For example, if the plan requires intricate measurement of individual employee performance and the tempo within the company is not conducive to such measurement, you might well consider a different type of plan. Finally, your plan should be readily understood by all participants—if it is to work effectively.

Once you have determined your objectives and have installed the plan, there remains one extremely important and continuing aspect of the program. This is the periodic review of your experience in operating the plan. How successfully has it accomplished its objectives?

This review should be made in light of the changing conditions within the company and within the industry. A shift in objective may necessitate a revision of the plan. The only way to be sure that the plan is accomplishing what it was intended to is through a periodic review. This makes the review just as important as the plan itself.

Pay Differentials for Supervisors

by L. W. Fries

THERE ARE two basic methods of paying first-line supervision. The first is the establishment of a fixed rate for the supervisory job. For example, a company might say every foreman in the production department will receive $500 per month. The primary consideration in setting the amount should be the rate of the employees that this individual supervises. If he supervises a group of employees paid different rates, it is proper to fix a so-called *governing rate* upon which the differential may be established. It is common to gear the governing rate to the rate of the highest-paid workers supervised. Assume the governing rate is $2.50 per hour, or $433 per month. Eliminating overtime premium payments to hourly employees, it is obvious that we must pay something in excess of $433 to the foreman. By establishing a standard foreman's rate of $500 per month, we have established a 15% differential.

What is considered an adequate differential varies from company to company. But dollarwise, a $67 or a 15% spread hardly seems adequate in view of the supervisor's substantially increased responsibilities. As a minimum differential, 15% would seem to be adequate. But under the standard fixed salary rate for foremen, the differential should approximate 25% to 30% to allow for some fluctuation in rank and file take-home pay due to overtime, etc., without disturbing the necessary minimum differential of 15%.

The second basic method of establishing differentials for first-line supervision is the salary range. Here, we must go back to the same governing rate of the hourly employee. Again assume he is earning $2.50 per hour, or $433 per month, in a company with established ranges for various job levels. Assume further a 40% spread to maximum in each of the salary ranges and that first-line supervision is paid on a merit basis, rather than a fixed-rate basis.

In this case, we will adopt the $433 per month wage of the employee supervised as a base and immediately add to it a 15% differential for first-line supervisors. We again have a $500 figure. Thus, in this case we are establishing $500 as the minimum pay that should be accorded an individual who is performing the supervisory job. But, in addition, we are further saying that we should allow him up to 140% of the $433 base. Applying the 15% and 140%, we therefore have a range of from $500 to $600, which may be used for granting periodic merit increases as waranted by the individual performance.

Either of these methods may be used for various departments in a plant. A maintenance foreman supervising a higher-paid group of hourly employees receives a higher salary than a foreman supervising groups of lower-paid employees. Under either method you would get this result because the basis upon which the ranges and rates are computed would be different. For example, a maintenance foreman supervising only maintenance craftsmen making $2.50 an hour would be paid between $500 and $600, whereas another foreman supervising a group of laborers getting $2 an hour would be paid between $400 and $485 monthly.

Not only do you establish a differential for first-line supervisors or foremen, but at the same time you are establishing differentials geared to departments having different rates.

* * *

There are, however, overtime premiums, shift differentials, etc. for hourly rated employees. And these might adversely affect the differential if it were established only on the base rate. Therefore, in either method, consideration should be given to all supplemental payments to hourly employees when establishing differentials for first-line supervisors. Otherwise, you may find that your hourly rated people are taking home more pay than supervisors who work over them.

Another thing that tends to destroy differentials is the never-ending changes in base hourly rates of supervised employees. Obviously, these changes in individual hourly rates must be reflected in the supervisor's salary.

This is usually accomplished on a local basis because hourly rates may vary from one location to another. Suppose, for example, that an hourly rated employee making $2.50 an hour receives an 11.5-cent wage increase, which comes to $20 per month. His base rate is now $453 per month compared to the former $433. This represents an increase of approximately 5%. In order to maintain proper supervisory differentials, we must reflect a 5% increase in the salary of the first-line supervisor. In using the fixed-rate method, we simply increase the salary by 5%. In the case of the first-line supervisor who is paid within the $500 to $600 range, we increase his salary by 5% to maintain a proper differential; and in addition, we increase the range within which these employees are paid by an equal per cent. In other words, we recompute the entire salary structure for first-line supervisors. In no other way can we maintain an adequate differential.

In conclusion, might I add that a supervisory title is no substitute for fair and adequate differentials.

1956 Wage Picture

(Continued from page 45)

Supplementary unemployment benefit plans (SUB), while not as pronounced as they were in 1955, showed up in a variety of industries and under differing provisions. For example, Story and Clark Piano Company, in an agreement with Allied Industrial Workers, AFL-CIO, established a fund similar to that of the major glass companies. The company contributes 5 cents an hour to each employee's personal account. If the employee is laid off or is away from work because of illness, he may draw on his account. Other contracts, as in the rubber industry, establish a SUB fund but leave certain details to be worked out at a later date. But in other industries, such as electrical equipment, many contracts postpone any discussion whatever of supplementary unemployment benefit plans until a later date.

Fringe benefits involving paid time off include added holidays, extended vacations, funeral- and jury-duty pay. Additional paid holidays are included by about one-fourth of the reporting companies that give data on fringe items. Information on the total number of holidays was reported by seventy-three firms; of these, forty-three specified that the new total was seven paid holidays. This is the most frequently reported number of holidays granted, although as many as nine and as few as four are noted. However, about 40% specify an additional holiday without indicating the total number granted.

Liberalized vacations are granted in 29% of the adjustments that include fringe data. Prorated vacations for employees with from eleven to fifteen years' service, three-week vacations after fifteen years, and four weeks after twenty-five years are among the most frequent provisions.

CANADA

Canadian settlements, tabulated separately for the first time in the year-end summary, show an average hourly increase of 8.5 cents. These settlements are shown in Chart 1 (on page 43), along with the United States settlements. However, because of the small Canadian sample, the figures do not give a reliable comparison of the two countries.

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Labor Press Highlights

Unions Raise Dues and Per Capita Taxes

DURING the past months, nearly a score of labor unions have increased their dues or their per capita taxes, primarily to launch organizing drives or to pay for the increased costs of union activities.[1] Though most union members appear to have accepted these increases with little or no protest, within several unions there have been vociferous objections. Members of three unions voted down any increase through union referendums on the subject. And in two other unions, increases (one still pending) have become the subject of debate.

Rejections

By a vote of 51.2% to 48.8%, the International Association of Machinists' members rejected a proposition that would have provided $35 weekly strike benefits, raised grand lodge per capita taxes 70 cents a month—including 50 cents to finance a defense fund—and established minimum dues at $4 a month, reports *The Machinist*. In contrast, the members approved all other forty-two constitutional amendments recommended at the union's 1956 convention.

The American Federation of Teachers, by a margin of 17,469 to 15,688, also turned down a proposed increase in the per capita dues paid by the locals to the national union. The AFT's leaders had asked for a minimum of 60 cents a month per capita, out of which 10 cents would go for organizing, reports *Labor's Daily*.

The third union that turned down a per capita increase was the International Typographical Union. By a vote of 38,996 to 37,497 the members rejected a proposed increase from $1 to $1.50. And at the same time, *Labor's Daily* points out, the members rejected propositions to establish organizational, educational and defense funds, as well as a proposal to increase the union's defense assessment from .5% to 1.5% of earnings. However, by an overwhelming vote, at the same time, the members did authorize the executive council to establish jurisdiction over all new processes of work in the industry.

Debate Over Dues Increases

Perhaps the most publicized dispute over increased dues is taking place within the United Steelworkers of America. At its last meeting in September, 1956, the Steelworkers' convention approved a dues increase from $3 to $5 a month. But as a result of protests against this increase, reports *Labor's Daily*, for the first time in twenty years an incumbent president of the United Steelworkers of America has to face another candidate in the February election. President David McDonald's opponent will be Donald Rarick.

According to *Labor's Daily*, Mr. Rarick argues that the convention vote that brought about the dues increase was "rigged." He claims that the international held proxies from smaller locals that normally do not send delegates. Moreover, *Labor's Daily* cites Mr. Rarick as saying that of the nearly 3,000 delegates present at the convention, 1,043 were on the international's payroll; and he also charges that Mr. McDonald refused to permit a roll-call vote on the issue.

Mr. McDonald's associates answer these charges, as reported in *Labor's Daily*, by pointing out that (1) those who came to the convention had to belong to a local and had to be elected by the local's members, and (2) the pro-increase voters far outnumbered the anti-increase delegates to the convention. Secretary-Treasurer I. W. Abel further defends the vote in *Steel Labor*, where he says that the convention okayed the increase because union costs had gone up. And he charges that the members of the newly formed dues-protest committees "are not just poor trade unionists, but poor participants in a democratic institution."

Those who objected to the dues increase have called for a special convention. But, according to *Labor's Daily*, the Steelworkers' international executive board turned down this request because special conventions can be called only to act on emergency measures, not to rescind actions taken at past conventions.

The United Automobile Workers also has heard protests concerning a proposed raise in dues. Even while a special committee was discussing the possibility of such increases, Emil Mazey, UAW's secretary-treasurer, had to report that a newspaper story of a proposed increase of $1.50 was "nothing more than speculation . . . to create a cheap headline," according to *Labor's Daily*.

The special committee finally recommended a 50-cent increase, which is to be considered at the next union convention to be held in April, 1958, reports *The United Automobile Worker*. The union's cost of

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[1] For a discussion of union dues and per capita taxes, see "Handbook of Union Government, Structure and Procedures," *Studies in Personnel Policy*, No. 150.

Increases in Union Dues or Per Capita Taxes as Reported in the Labor Press

All Figures in This Table Are Monthly and Are for AFL-CIO Affiliates Unless Otherwise Stated

Union	Dues	Per Capita Taxes	Source of Information
Bakery and Confectionary Workers	—	50-cent increase	*The AFL-CIO News*
Brewery Workers	Was $2 Now $3 (minimum)	Was $13 a year Now $16.80 a year	*The Brewery Worker*
Cement Workers	Was $2.50 Now $3	Was $1.10 Now $1.25	*The Voice*
Chemical Workers	—	Was $1 Now $1.25	*The International Chemical Worker*
International Union of Electrical Workers	Was $2.50 Now $3 (minimum)	Was $1 Now $1.50	*IUE AFL-CIO News*
Marine and Shipbuilding Workers	Was $3 Now $4	—	*The AFL-CIO News*
Mine Workers (ind.)	Was $4 Now $4.25	—	*United Mine Workers Journal*
Oil, Chemical and Atomic Workers	Was $2 to $5 Now $3 to $6	—	*The AFL-CIO News*
Plumbers and Pipefitters	Increase of 25 cents	—	*The Weekly Dispatch* San Antonio, Texas
Post Office Clerks	—	Was $6 yearly Now $8 yearly	*Union Postal Clerk*
Printing Pressmen	Increase of 50 cents	—	*Labor's Daily*
Railroad Signalmen	—	Was $3.50 per quarter Now $4.50 per quarter	*Signalmen's Journal*
Rubber Workers	Increase of 50 cents	—	*The AFL-CIO News*
Steelworkers	Was $3 Now $5	—	*Steel Labor*
Stage Employees	—	Increase of 25 cents	*Official Bulletin*
United Electrical Workers (ind.)	—	Was $1 Now $1.25	*UE News*

living is rising, comments the paper, and it further notes that the UAW's dues are among the lowest of the major trade unions.

However low the dues might be, the largest local in the UAW, Local 600, voted its opposition to the proposed increase, reports *Labor's Daily*. At the local's membership meeting, which 600 of the local's 46,000 members attended, the members approved a resolution opposing any dues increase which would not "fatten" the UAW's strike fund. Local 600's president, Carl Stellato, wants the strike fund, now at $22 million, to reach $100 million before the UAW starts negotiations in 1958. The proposed increase they voted against would not go to the strike fund. Instead half of it is to go to the locals and the other half to the international.

Increases Approved

Nearly twenty unions have approved increases in dues or per capita taxes; a few have recommended increases, while others have authorized special assessments. According to *Labor's Daily*, the United Textile Workers of America has authorized a special assessment of $2 per member per year in order to push its organizing drive in the South. And the United Mine Workers' executive officers have placed a special assessment of $10 per worker to be collected in two $5 installments. This assessment is necessary because of the large amount of money spent by the independent union for litigation, organizing drives, and for the last national convention, reports the *United Mine Workers Journal*. The Sailors Union of the Pacific has also recommended an increase in dues. The *West Coast Sailors* says that in a proposition sent to its members the union asks for a $5 raise in dues per quarter.

The unions listed above have either raised their dues or their per capita payments from the locals to the international unions. Two unions that have increased their per capita taxes, and are not listed in the table, are the Upholsterers' International Union and the United Furniture Workers. These unions recently decided to work together by forming the Confederated Upholsterers and Furniture Workers of America, reports *The AFL-CIO News*.

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Significant Labor Statistics

Item	Unit	1956							Year Ago	Percentage Change	
		Dec.	Nov.	Oct.	Sept.	August	July	June		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Indexes											
All Items	1953 = 100	103.2	103.2	102.7	102.4	102.3	102.1	101.7	101.0	0	+2.2
Food	1953 = 100	100.5	100.5	100.8	100.3	100.4	100.1	99.2	97.9	0	+2.7
Housing	1953 = 100	103.7	103.6	103.4	103.3	103.0	102.8	102.7	102.1	+0.1	+1.6
Apparel	1953 = 100	100.7	100.7	100.5	100.3	100.2	100.0	99.9	99.3	0	+1.4
Transportation	1953 = 100	107.9	107.7	104.1	104.1	103.9	104.0	103.9	104.7	+0.2	+3.1
Sundries	1953 = 100	105.4	105.2	105.0	104.7	104.5	104.2	103.9	102.9	+0.2	+2.4
Purchasing value of dollar	1953 dollars	96.9	96.9	97.4	97.6	97.8	97.9	98.3	99.0	0	−2.1
(*BLS*) All Items	1947–1949 = 100	118.0	117.8	117.7	117.1	116.8	117.0	116.2	114.7	+0.2	+2.9
Employment Status[1]											
Civilian labor force	thousands	67,029	67,732	68,082	68,069	68,947	69,489	69,430	66,592	−1.0	+0.7
Employed	thousands	64,550	65,269	66,174	66,071	66,752	66,655	66,503	64,165	−1.1	+0.6
Agriculture	thousands	5,110	6,192	7,173	7,388	7,265	7,700	7,876	5,884	−17.5	−13.2
Nonagricultural industries	thousands	59,440	59,076	59,000	58,683	59,487	58,955	58,627	58,281	+0.6	+2.0
Unemployed	thousands	2,479	2,463	1,909	1,998	2,195	2,833	2,927	2,427	+0.6	+2.1
Wage Earners[2, 3]											
Employees in nonagr'l establishm'nts	thousands	*p* 53,048	*r* 52,472	*r* 52,455	52,261	51,881	50,896	51,709	51,996	+1.1	+2.0
Manufacturing	thousands	*p* 17,134	*r* 17,160	17,222	17,121	17,034	16,291	16,809	17,027	−0.2	+0.6
Mining	thousands	*p* 809	809	*r* 812	818	817	746	812	783	0	+3.3
Construction	thousands	*p* 3,000	*r* 3,193	*r* 3,301	3,340	3,353	3,270	3,257	2,756	−6.0	+8.9
Transportation and public utilities	thousands	*p* 4,178	*r* 4,171	*r* 4,177	4,179	4,178	4,148	4,181	4,161	+0.2	+0.4
Trade	thousands	*p* 12,058	*r* 11,478	11,288	11,164	11,047	11,015	11,091	11,849	+5.1	+1.8
Finance	thousands	*p* 2,313	*r* 2,314	*r* 2,312	2,321	2,355	2,342	2,320	2,243	A	+3.1
Service	thousands	*p* 5,972	*r* 6,011	*r* 6,045	6,105	6,137	6,137	6,089	5,853	−0.6	+2.0
Government	thousands	*p* 7,584	*r* 7,336	*r* 7,298	7,213	6,960	6,947	7,150	7,324	+3.4	+3.5
Production and related workers in mfg. employment											
All manufacturing	thousands	*p* 13,329	*r* 13,368	*r* 13,439	13,335	13,245	12,514	13,078	13,451	−0.3	−0.9
Durable	thousands	*p* 7,807	*r* 7,813	*r* 7,751	7,583	7,541	7,081	7,602	7,838	A	−0.4
Nondurable	thousands	*p* 5,522	*r* 5,555	*r* 5,688	5,752	5,704	5,433	5,476	5,613	−0.6	−1.6
Average weekly hours											
All manufacturing	number	*p* 41.0	40.6	40.7	40.7	40.2	40.0	40.1	41.3	+1.0	−0.7
Durable	number	*p* 41.9	41.2	41.5	41.4	40.7	40.6	40.8	42.0	+1.7	−0.2
Nondurable	number	*p* 39.8	*r* 39.6	39.8	39.7	39.5	39.3	39.2	40.4	+0.5	−1.5
Average hourly earnings											
All manufacturing	dollars	*p* 2.05	2.03	2.02	2.00	1.98	1.97	1.97	1.93	+1.0	+6.2
Durable	dollars	*p* 2.18	2.16	2.15	2.13	2.10	2.07	2.09	2.06	+0.9	+15.8
Nondurable	dollars	*p* 1.86	1.85	1.83	1.82	1.81	1.82	1.81	1.74	+0.5	+6.9
Average weekly earnings											
All manufacturing	dollars	*p* 84.05	82.42	82.21	81.40	79.60	78.80	79.00	79.71	+2.0	+5.4
Durable	dollars	*p* 91.34	*r* 88.99	89.23	88.18	85.47	84.06	85.27	86.52	+2.6	+5.6
Nondurable	dollars	*p* 74.03	*r* 73.26	72.83	72.25	71.50	71.53	70.95	70.30	+1.1	+5.3
Straight time hourly earnings (estimated)											
All manufacturing	dollars	*p* 1.98	1.97	1.96	1.94	1.92	1.92	1.91	1.86	+0.5	+6.5
Durable	dollars	*p* 2.09	2.08	2.07	2.05	2.03	2.00	2.02	1.97	+0.5	+6.1
Nondurable	dollars	*p* 1.81	1.81	1.78	1.78	1.77	1.78	1.77	1.69	0	+7.1
Turnover Rates in Manufacturing[2]											
Separations	per 100 employees	*p* 2.8	3.3	3.5	4.4	3.9	3.2	3.4	3.0	−15.2	−6.7
Quits	per 100 employees	*p* 1.0	1.3	1.7	2.6	2.2	1.5	1.6	1.1	−23.1	−9.1
Discharges	per 100 employees	*p* 0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.2	−33.3	0
Layoffs	per 100 employees	*p* 1.4	1.5	1.3	1.4	1.2	1.2	1.3	1.4	−6.7	0
Accessions	per 100 employees	*p* 2.2	2.9	4.0	4.1	3.8	3.3	4.2	2.5	−24.1	−12.0

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[1] Bureau of the Census.

[2] Bureau of Labor Statistics.

[3] The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1956.

p Preliminary. *r* Revised. A Less than .05% change.

1956 Consumer Prices: The Year in Review

Transportation and food costs have led the uptrend in prices, with the other components registering smaller increases

CONSUMER PRICES in December, 1956, were 2.1% above the January, 1956, level. This increase was by far the largest of the past four years—a fact made particularly evident because most of the price rise was concentrated in the second half of the year. Thus, 1956 marked the end of the general price stability that had prevailed since 1953. During this three-and-one-half year period, prices held pretty much to the level established in 1953 after the Korean war.

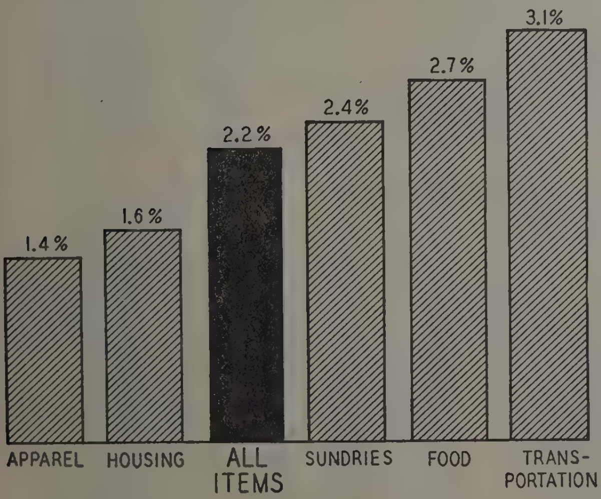
The upswing of prices during 1956, however, is very moderate when compared to earlier periods of marked inflation. During the 1946-1949 period, for example, prices rose an average of 4.6% per year, while the 1950-1952 period saw prices increase at an annual rate of 3.2%.

Of course, rising production and distribution costs were building up pressure prior to 1956, but, for the most part, they were not immediately translated into higher retail prices. And, in general, the time elapsing before such pressures are felt by the consumer varies, depending on the economic climate, the size of profit margins, and the point in the production process at which the higher costs are introduced. For example, the impact of higher steel prices generally will take longer to reach the consumer market than an increase in distribution costs (such as higher rail and trucking rates).

Some of the effects of higher costs did push through to the retail price level before 1956, but these were almost balanced by the continual decline in food prices. However, in the second half of 1956, more of the increasing production costs were passed on to the consumer, and at the same time food prices began to rise considerably. This combination of pressures pushed the retail price level up 2.2% between April and December, 1956.

The purchasing value of the consumer dollar, as measured by THE CONFERENCE BOARD's index of retail prices, fell from 99.0 cents in December, 1955, to 96.9 cents in December, 1956 (1953 dollar = 100 cents). The all-items index for the United States at the end of the year stood at 103.2 (1953 = 100) as compared with 101.0 in December, 1955.

Chart 1: Percentage Increases in the Consumer Price Index from December, 1955, to December, 1956



THE OVER-ALL PICTURE

During the year, prices advanced in all major areas of consumer spending. Transportation costs led, with a 3.1% rise. Food followed with a 2.7% advance, and sundries were up 2.4%. Housing and apparel registered somewhat smaller increases of 1.6% and 1.4%.

In Chart 1 the steadiness of the general price level during the first quarter of the year can be observed, with the all-items index at the same level in April, 1956, as in December, 1955. But among the components, only apparel shows a similarly steady picture. All the other commodity groups exhibit considerable price movement. Food and transportation costs moved down, while housing and sundries costs moved higher. So the apparent general price stability was really the result of counterbalancing movements.

The upward trend in housing and sundries costs continued throughout the year, but the downward movements of food and transportation were reversed during the second half of 1956. The over-all price level rose unhampered for seven consecutive months—from May through November—after apparel joined the upward trend in April. By August, 1956, this general upward movement, for the first time, brought the indexes for all five major commodity groups above the 100.0 level. That is, consumers, for the first time, had to pay more than in 1953 for all major commodity groups.

(Text continued on page 61)

Consumer Price Index—United States

Cities over 50,000 population
1953 = 100

	ALL ITEMS	FOOD						HOUSING				
										Fuel, Power, Water		
		Total	Meat, Fish, Poultry	Cereal, Bakery Products	Dairy Products, Eggs	Fruits, Vege-tables	Other Food at Home	Total	Rent	Total	Gas	Elec-tricity
1955 June	100.2	98.3	94.6	104.4	91.5	103.5	104.6	101.4	105.8	102.7	106.7	101.2
July	100.3	98.6	94.9	104.6	92.4	103.6	104.6	101.2	106.2	101.4	103.9	101.6
August	100.3	98.2	94.5	104.7	94.5	99.1	104.7	101.5	106.2	101.8	104.2	101.7
September	100.5	98.5	94.9	104.8	96.4	97.4	105.1	101.6	106.3	102.1	104.5	101.7
October	100.7	98.6	94.0	104.8	97.4	97.7	105.5	101.9	106.5	102.6	104.5	101.8
November	100.7	98.0	91.7	104.4	97.7	98.0	105.6	102.0	106.6	102.9	105.0	101.8
December	101.0	97.9	89.9	104.4	98.3	99.7	105.9	102.1	106.8	103.2	105.3	101.8
1955 Annual Average	100.3	98.3	93.8	104.4	94.5	99.8	106.2	101.5	106.1	102.7	105.2	101.4
1956 January	101.1	97.5	88.4	104.9	98.5	99.7	105.7	102.2	106.8	103.7	106.0	101.9
February	101.1	97.3	88.0	104.9	96.9	101.5	105.3	102.4	107.1	104.3	106.0	101.9
March	101.1	97.0	87.4	104.9	96.0	101.7	105.8	102.6	107.2	104.4	106.0	102.0
April	101.0	97.0	87.2	104.9	94.7	102.4	106.4	102.6	107.5	104.5	106.1	102.0
May	101.2	97.7	88.5	105.0	94.4	105.6	106.7	102.6	107.6	104.0	106.2	102.0
June	101.7	99.2	89.9	105.3	94.3	112.1	107.4	102.7	107.7	104.0	106.0	102.0
July	102.1	100.1	90.9	105.5	95.1	114.2	108.0	102.8	107.9	103.9	106.0	102.0
August	102.3	100.4	92.5	105.7	96.5	110.8	108.5	103.0	108.0	104.0	106.1	102.0
September	102.4	100.3	93.6	105.8	97.4	105.8	109.1	103.3	108.1	104.3	106.5	102.0
October	102.7	100.8	95.1	106.4	99.0	102.7	109.7	103.4	108.4	104.7	106.5	102.4
November	103.2	100.5	93.5	106.6	99.7	102.1	110.1	103.6	108.5	105.3	106.8	102.4
December	103.2	100.5	92.6	106.8	99.1	103.3	110.4	103.7	108.6	105.5	106.5	102.4
1956 Annual Average	101.9	99.0	90.7	105.6	96.8	105.2	107.8	102.9	107.8	104.4	106.2	102.1

	HOUSING (continued)		APPAREL			TRANS-POR-TATION	SUNDRIES	PUR-CHASING VALUE OF DOLLAR	REBASED INDEXES		
	Furnish-ings, Equipment	Other Household Operations	Total	Men's Apparel	Women's Apparel				All Items (January 1939 = 100)	Purchasing Value of January, 1939 Dollar	All Items (1947-49 = 100)
1955 June	98.2	100.6	98.8	99.2	98.2	101.3	101.8	99.8	182.1	54.9	114.1
July	98.0	100.7	98.9	99.2	98.2	100.5	102.1	99.7	182.1	54.9	114.1
August	98.3	101.0	99.2	99.6	98.5	100.6	102.3	99.7	182.2	54.9	114.2
September	98.4	101.2	99.3	99.7	98.6	100.9	102.6	99.5	182.5	54.8	114.4
October	98.7	101.4	99.4	99.6	98.7	101.3	102.7	99.3	182.9	54.7	114.6
November	98.9	101.5	99.3	99.7	98.4	102.9	102.7	99.3	182.9	54.7	114.7
December	99.2	101.7	99.3	99.7	98.3	104.7	102.9	99.0	183.4	54.5	114.9
1955 Annual Average	98.4	100.9	99.0	99.4	98.4	101.1	102.0	99.7	182.2	54.9	114.2
1956 January	99.3	102.0	99.3	99.8	98.0	105.8	103.1	98.9	183.6	54.5	115.0
February	99.5	102.1	99.3	99.9	98.1	105.3	103.4	98.9	183.6	54.5	115.0
March	99.4	102.3	99.4	99.9	98.2	105.1	103.7	98.9	183.6	54.5	115.0
April	99.3	102.2	99.6	100.1	98.3	104.4	103.7	99.0	183.5	54.5	115.0
May	99.1	102.4	99.7	100.3	98.2	104.1	103.8	98.8	183.9	54.4	115.2
June	99.1	102.4	99.9	100.5	98.3	103.9	103.9	98.3	184.7	54.1	115.8
July	99.0	102.8	100.0	100.7	98.2	104.0	104.2	97.9	185.4	53.9	116.2
August	98.9	103.0	100.2	101.1	98.3	103.9	104.5	97.8	185.8	53.8	116.4
September	99.3	103.6	100.3	101.6	98.2	104.1	104.7	97.6	186.0	53.8	116.6
October	99.3	103.6	100.5	101.7	98.3	104.1	105.0	97.4	186.5	53.6	116.9
November	99.5	103.7	100.7	102.0	98.3	107.7	105.2	96.9	187.3	53.4	117.4
December	99.8	103.8	100.7	102.1	98.2	107.9	105.4	96.9	187.5	53.3	117.5
1956 Annual Average	99.3	102.8	100.0	100.8	98.2	105.0	104.2	98.1	185.1	54.0	116.0

Consumer Price Index—United States

Annual averages 1914-1956[a]
1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914	40.3	248.1	1925	67.8	147.5	1936	54.8	182.5	1947	84.7	118.1
1915	40.0	250.0	1926	68.3	146.4	1937	57.2	174.8	1948	90.1	111.0
1916	43.0	232.6	1927	66.9	149.5	1938	55.7	179.5	1949	88.8	112.6
1917	51.3	194.9	1928	65.9	151.7	1939	55.0	181.8	1950	90.0	111.1
1918	59.5	168.1	1929	65.6	152.4	1940	55.4	180.5	1951	97.0	103.1
1919	67.6	147.9	1930	63.4	157.7	1941	58.3	171.5	1952	99.5	100.5
1920	77.8	128.5	1931	57.0	175.4	1942	64.5	155.0	1953	100.0	100.0
1921	66.8	149.7	1932	50.9	196.5	1943	68.2	146.6	1954	100.2	99.8
1922	63.6	157.2	1933	49.0	204.1	1944	69.1	144.7	1955	100.3	99.7
1923	65.4	152.9	1934	51.8	193.1	1945	70.2	142.5	1956	101.9	98.1
1924	66.1	151.3	1935	53.6	186.6	1946	74.9	133.5			

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[a] Indexes from 1914 through 1919 are for the month of July only and are not annual averages

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do NOT show intercity differences in price level or standards of living.

Cities Surveyed Monthly

	1953 = 100			Percentage Changes	
	Dec. 1956	Nov. 1956	Dec. 1955	Nov. 1956 to Dec. 1956	Dec. 1955 to Dec. 1956
Chicago					
All Items	105.4	105.5	103.5	−0.1	+1.8
Food	101.0	101.4	100.1	−0.4	+0.9
Housing	109.2	109.1	107.9	+0.1	+1.2
Apparel	101.3	101.6	100.3	−0.3	+1.0
Transportation	106.8	106.8	102.9	0	+3.8
Sundries	107.7	107.4	104.4	+0.3	+3.2
Houston					
All Items	103.5	102.9	101.4	+0.6	+2.1
Food	101.8	101.1	98.6	+0.7	+3.2
Housing	103.6	103.5	101.7	+0.1	+1.9
Apparel	101.5	101.5	99.2	0	+2.3
Transportation	107.7	105.5	106.4	+2.1	+1.2
Sundries	103.6	103.3	102.2	+0.3	+1.4

	1953 = 100			Percentage Changes	
	Dec. 1956	Nov. 1956	Dec. 1955	Nov. 1956 to Dec. 1956	Dec. 1955 to Dec. 1956
Los Angeles					
All Items	102.7	102.5	99.7	+0.2	+3.0
Food	100.0	99.5	96.1	+0.5	+4.1
Housing	102.0	101.7	101.3	+0.3	+0.7
Apparel	100.0	99.8	99.1	+0.2	+0.9
Transportation	108.6	108.5	100.6	+0.1	+8.0
Sundries	104.4	104.5	102.1	−0.1	+2.3
New York					
All Items	103.6	103.3	100.8	+0.3	+2.8
Food	101.2	101.0	96.8	+0.2	+4.5
Housing	104.5	104.2	102.6	+0.3	+1.9
Apparel	99.3	99.3	98.3	0	+1.0
Transportation	116.4	116.2	112.5	+0.2	+3.5
Sundries	104.0	103.5	101.8	+0.5	+2.2

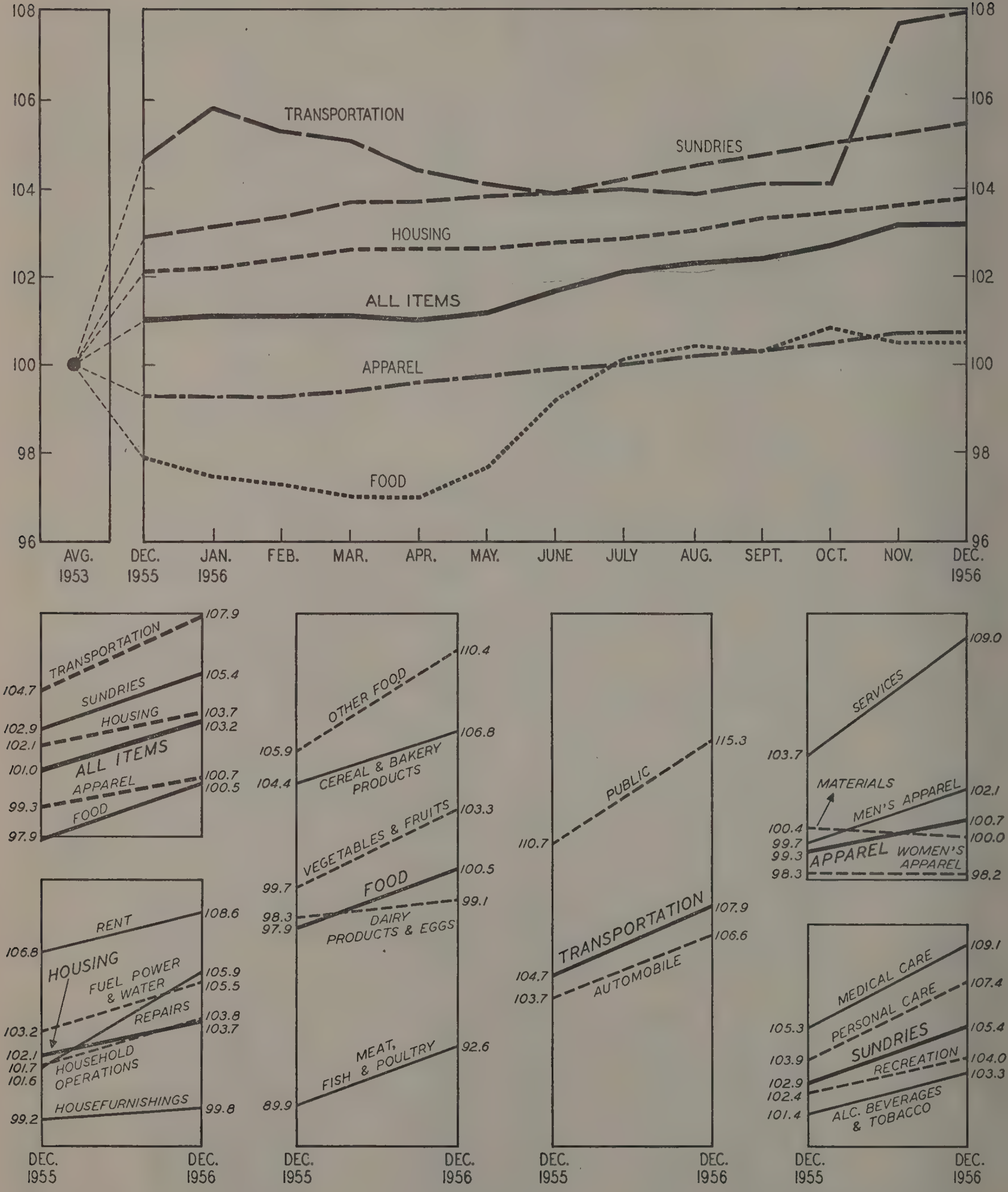
Cities Surveyed Quarterly

	1953 = 100			Percentage Changes	
	Dec. 1956	Sept. 1956	Dec. 1955	Sept. 1956 to Dec. 1956	Dec. 1955 to Dec. 1956
Atlanta					
All Items	102.1	101.8	100.3	+0.3	+1.8
Food	97.1	98.1	94.1	−1.0	+3.2
Housing	103.2	102.7	102.1	+0.5	+1.1
Apparel	100.3	100.2	99.7	+0.1	+0.6
Transportation	107.5	105.5	106.8	+1.9	+0.7
Sundries	105.5	104.5	103.2	+1.0	+2.2
Cleveland					
All Items	104.3	103.9	101.9	+0.4	+2.4
Food	99.7	101.6	97.3	−1.9	+2.5
Housing	104.3	103.9	101.9	+0.4	+2.4
Apparel	101.9	101.5	100.8	+0.4	+1.1
Transportation	110.4	105.4	108.2	+4.7	+2.0
Sundries	108.3	107.7	104.6	+0.6	+3.5
Denver					
All Items	103.4	102.3	101.3	+1.1	+2.1
Food	101.9	101.6	98.9	+0.3	+3.0
Housing	103.4	103.3	101.6	+0.1	+1.8
Apparel	99.6	99.6	99.1	0	+0.5
Transportation	107.5	100.9	103.6	+6.5	+3.8
Sundries	104.7	104.2	104.0	+0.5	+0.7
Des Moines					
All Items	103.9	102.4	100.8	+1.5	+3.1
Food	102.1	102.2	99.3	−0.1	+2.8
Housing	101.9	101.7	100.0	+0.2	+1.9
Apparel	101.9	100.6	99.4	+1.3	+2.5
Transportation	110.9	101.4	101.9	+9.4	+8.8
Sundries	105.8	105.9	104.2	−0.1	+1.5
Evansville					
All Items	100.2	99.5	99.6	+0.7	+0.6
Food	93.4	93.9	93.1	−0.5	+0.3
Housing	101.4	101.2	99.7	+0.2	+1.7
Apparel	100.9	100.3	101.0	+0.6	−0.1
Transportation	109.3	104.3	108.7	+4.8	+0.6
Sundries	102.2	101.6	102.3	+0.6	−0.1
Huntington-Ashland					
All Items	103.8	103.6	101.8	+0.2	+2.0
Food	99.9	100.7	97.5	−0.8	+2.5
Housing	104.7	104.5	103.7	+0.2	+1.0
Apparel	103.0	103.3	101.3	−0.3	+1.7
Transportation	109.8	105.6	108.5	+4.0	+1.2
Sundries	106.3	106.1	102.9	+0.2	+3.3

	1953 = 100			Percentage Changes	
	Dec. 1956	Sept. 1956	Dec. 1955	Sept. 1956 to Dec. 1956	Dec. 1955 to Dec. 1956
Indianapolis					
All Items	103.0	101.7	101.2	+1.3	+1.8
Food	98.1	97.5	96.7	+0.6	+1.4
Housing	103.8	103.0	101.9	+0.8	+1.9
Apparel	101.0	100.5	97.9	+0.5	+3.2
Transportation	109.7	104.4	106.2	+5.1	+3.3
Sundries	105.2	104.7	104.9	+0.5	+0.3
Kansas City					
All Items	103.3	102.2	101.4	+1.1	+1.9
Food	99.1	98.8	96.0	+0.3	+3.2
Housing	103.3	102.9	102.7	+0.4	+0.6
Apparel	98.0	97.3	96.9	+0.7	+1.1
Transportation	107.3	102.4	105.9	+4.8	+1.3
Sundries	109.9	109.1	106.3	+0.7	+3.4
Lansing					
All Items	104.0	103.4	102.2	+0.6	+1.8
Food	102.1	102.7	100.5	−0.6	+1.6
Housing	104.4	103.8	101.8	+0.6	+2.6
Apparel	101.0	101.1	100.2	−0.1	+0.8
Transportation	108.7	104.5	107.8	+4.0	+0.8
Sundries	104.3	104.1	102.3	+0.2	+2.0
Milwaukee					
All Items	101.8	101.3	100.0	+0.5	+1.8
Food	96.1	96.9	94.3	−0.8	+1.9
Housing	102.9	102.2	100.3	+0.7	+2.6
Apparel	98.7	98.5	98.3	+0.2	+0.4
Transportation	110.7	107.1	109.6	+3.4	+1.0
Sundries	104.2	103.7	102.1	+0.5	+2.1
Pittsburgh					
All Items	103.1	102.7	100.6	+0.4	+2.5
Food	99.5	100.1	96.7	−0.6	+2.9
Housing	104.7	104.5	102.2	+0.2	+2.4
Apparel	102.9	103.0	101.1	−0.1	+1.8
Transportation	106.9	102.2	104.5	+4.6	+2.3
Sundries	104.1	104.1	101.6	0	+2.5
Portland, Ore.					
All Items	102.7	101.6	100.2	+1.1	+2.5
Food	98.8	98.9	96.6	−0.1	+2.3
Housing	103.1	102.5	100.5	+0.6	+2.6
Apparel	99.6	99.4	98.2	+0.2	+1.4
Transportation	105.3	100.7	103.4	+4.6	+1.8
Sundries	107.5	106.0	103.5	+1.4	+3.9

Chart 2: Consumer Prices During 1956

Index Numbers: 1953 = 100



FOOD PRICES UP

Although food prices were very weak throughout 1955 and the first quarter of 1956, they showed a 2.7% rise between December, 1955, and December, 1956. All parts of the food index shared in this upward movement.

The largest increase over the year was reported for the "other food" group, which rose 4.2%. This index has risen consistently since February, 1956, owing to repeated price hikes for coffee, sugar and oils. Even though coffee prices leveled off toward the end of the year, those for sugar and shortening continued to rise.

The fruit and vegetable group exhibited very spectacular price behavior during the year. As a result of frosts early in 1956, prices scaled unprecedented heights in July. In that month, they were 14.5% above the January, 1956, figure. Then, as late summer and early fall crops brought comparative plenty to the market, prices fell, and they ended the year 3.6% above December, 1955, levels.

The meat, fish and poultry group followed the trend with a 3.0% increase. Meats had been on the bargain counter since the fall of 1955, with prices hitting rock bottom in April, 1956, when they were 12.8% below their 1953 levels. But in May they strengthened, and by October meat prices were at year-ago levels. Since then, they have continued above 1955 levels.

However, not all meats showed equal price strength. Pork, which had fallen further below 1953 levels than other meats, showed a slightly greater price increase in 1956 than beef. But while beef and pork became more expensive during the year, chicken became cheaper, with poultry prices falling 8.0%. This was the result of record production, aided by a favorably cool summer. On the other hand, fish prices were somewhat higher than in 1955.

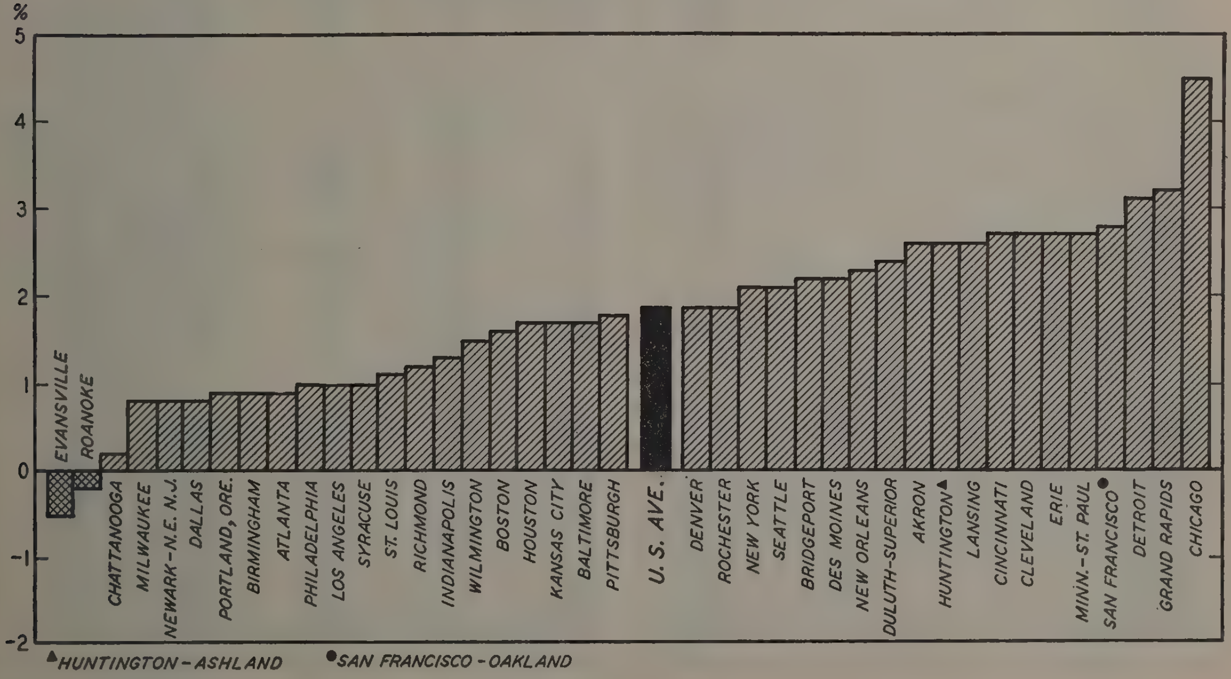
The cereal and bakery products group, which has exhibited a consistently steady but slow upward tendency during the past few years, moved 2.3% higher in 1956. Bread prices rose 3.2%, although flour was up only 0.9%. The higher bread prices reflected higher production and distribution costs.

The dairy products and eggs group, up 0.8%, registered the smallest increase over the year. This was the result of record egg production which brought egg prices down 10.8% and almost balanced increases for dairy products. Milk prices, in spite of increased production, rose 5.3%, owing to a favorable demand situation. And this allowed higher production and distribution costs to be passed on to the consumer. Dairy products, up 2.8%, reflected the higher milk costs.

THE OTHER INDEXES

Housing costs, climbing steadily, rose 1.6% over the year. The largest increase was recorded for repairs and improvements, which climbed 4.2%. Fuel prices, registering the customary seasonal ups and downs, rose 2.2%, with solid fuels showing a stronger upward

Chart 3: Per Cent Changes for Individual Cities, 1953-1956



movement than gas and electricity. Household operations also registered a 2.2% increase, while rents were up 1.7%. Housefurnishings rose a slight 0.6%, although appliance prices were weak throughout the twelve-month period.

The apparel index, which had been below 100.0 (1953 = 100) through June, 1956, ended the year 0.7% above 1953 levels and 1.4% above December, 1955. However, all the price strength was concentrated in men's apparel and apparel services. The cost of men's clothing climbed steadily throughout the year, and it was 2.4% above the year-ago figure in December.

The women's clothing index, on the other hand, oscillated within 0.2% of the annual average, and ended the year 0.1% below December, 1955. Apparel service costs (shoe repair and dry cleaning) climbed steadily —and by the end of the year reached a level of 5.1% above December, 1955.

The main factors in the 3.1% increase for transportation were rising service charges and higher prices for the 1957 automobile models. The rising service rates resulted in a steady climb in the public transportation index, which rose 4.2% between December, 1955, and December, 1956. Automobile transportation costs, which have a seasonal character, showed a considerable decline during the first part of the year when new car prices were exceptionally weak. However,

Consumer Price Index, 1956 Annual Averages

1953 = 100

	All Items	Food	Housing	Apparel	Transportation	Sundries
United States	101.9	99.0	102.9	100.0	105.0	104.2
Cities surveyed monthly:						
Chicago	104.5	100.5	108.3	100.8	104.8	106.7
Houston	101.7	99.3	102.7	100.4	104.2	102.5
Los Angeles	101.0	97.7	101.4	99.4	104.5	103.1
New York	102.1	99.3	103.5	98.7	113.3	102.7
Cities surveyed in January, April, July, October:						
Birmingham	100.9	97.2	101.8	100.8	98.4	107.2
Bridgeport	102.2	99.4	102.0	100.8	105.8	105.4
Cincinnati	102.7	98.5	104.0	102.0	103.7	107.3
Erie	102.7	99.8	103.1	100.5	103.0	107.8
Grand Rapids	103.2	102.0	103.1	102.4	103.1	105.7
Minneapolis-St. Paul	102.7	101.9	103.3	100.8	101.8	103.2
Newark-N. E. N. J.	100.8	99.1	101.5	98.5	102.3	102.8
New Orleans	102.3	101.9	102.7	101.0	99.3	105.1
Philadelphia	101.0	98.4	101.0	99.6	105.8	103.7
Roanoke	99.8	96.2	101.6	98.2	103.7	100.4
Seattle	102.1	101.1	101.3	100.2	101.4	106.4
Syracuse	101.0	97.4	102.7	101.5	103.0	102.1
Cities surveyed in February, May, August, November:						
Akron	102.6	99.2	104.1	99.4	105.8	105.4
Baltimore	101.7	97.9	102.5	101.1	105.1	104.5
Boston	101.6	97.9	103.2	99.8	104.7	104.5
Chattanooga	100.2	95.6	100.8	101.9	105.3	103.4
Dallas	100.8	98.2	101.2	99.5	102.8	102.8
Detroit	103.1	101.5	104.3	100.0	104.1	105.1
Duluth-Superior	102.4	100.0	103.7	98.8	104.9	104.0
Richmond	101.2	97.6	102.6	100.1	103.8	103.7
Rochester	101.9	101.5	101.3	99.2	103.8	103.5
St. Louis	101.1	98.7	101.6	100.6	104.3	102.4
San Francisco-Oakland	102.8	100.4	103.2	100.7	103.2	106.4
Wilmington	101.5	97.3	102.8	100.8	103.6	104.7
Cities surveyed in March, June, September, December						
Atlanta	100.9	95.9	102.4	100.0	105.2	104.0
Cleveland	102.7	98.8	103.0	101.0	105.4	106.8
Denver	101.9	100.7	102.5	99.3	102.0	104.0
Des Moines	102.2	100.9	101.0	99.9	105.0	105.3
Evansville	99.5	93.5	100.4	100.9	106.4	101.8
Huntington-Ashland	102.6	99.2	104.0	102.4	105.9	104.5
Indianapolis	101.3	97.5	102.4	99.4	103.6	104.9
Kansas City	101.7	97.4	103.0	97.3	102.2	108.5
Lansing	102.6	101.7	102.7	100.9	105.1	103.2
Milwaukee	100.8	96.2	101.5	98.4	107.3	103.4
Pittsburgh	101.8	98.8	103.7	102.0	103.2	103.1
Portland, Ore.	100.9	97.7	101.6	99.4	101.7	105.0

December Price Level Holds Steady

Consumer prices, after a seven-month rise, showed no change in December, 1956, according to The Conference Board's index of retail prices. The all-items index for the United States remained at its November level of 103.2 (1953 = 100), which was 2.2% above the December, 1955, figure.

The purchasing value of the consumer dollar was 96.9 cents in December, 1956 (1953 dollar = 100 cents). This figure is unchanged from November, 1956, and 2.1 cents below December, 1955.

Over the month, three of the five major commodity groups included in the index registered small price advances, while the other two remained at their November level. The increases, however, were so slight that they had no effect on the over-all price level: housing costs rose 0.1%, transportation and sundries were up 0.2% each. Food and apparel prices were unchanged.

Food Steady

The fairly strong upward and downward movements of food prices that have marked the past seven months took a breather over the holidays. The food index accordingly remained at its November level of 100.5, as price declines in the meat, fish and poultry and the dairy products and eggs groups were balanced by advances in the other food groups. The meat, fish and poultry index was 1.0% lower in December than in the previous month, with beef, pork and poultry prices down substantially. The decline of the dairy products and eggs index was the result of a 3.6% drop in egg prices. All other dairy products were slightly higher than in November.

A similar small upward movement was exhibited by cereal and bakery products. Fruit and vegetable prices rose 1.2% over the month as a slight decline in fresh fruit prices was not sufficient to offset a 4.1% increase for fresh vegetables. The "other food" group moved 0.3% higher, as fats and oils and sugar were more expensive.

The Other Components

The unchanged price level of apparel also was the result of balancing price movements. Women's clothing was slightly cheaper over the month, while men's apparel was somewhat more expensive. Clothing service costs also rose slightly.

The small rise in the housing index resulted from a number of scattered increases throughout the group. Rents, fuel, housefurnishings and household operations all were somewhat more expensive.

Transportation costs rose 0.2% over the month. Public transportation charges remained at their November level, but automobile upkeep was costlier—primarily because of stepped-up gasoline prices. Slight increases in the prices of recreation and personal-care items as well as alcoholic beverages caused the 0.2% advance in the sundries index.

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during the summer months, they stabilized. And in October, prices rose when the 1957 models appeared on the market. By December, higher charges for upkeep as well as new cars had brought the automobile index 2.8% above December, 1955.

The sundries index was up 2.4% over the year, with all parts sharing in the price rise. Charges for medical and personal care showed the largest increases—3.6% and 3.4%, respectively. Lesser increases were reported for recreation costs and alcoholic beverages and tobacco. Throughout the year, service charges have generally exhibited a greater upward tendency than prices for goods.

PRICES RISE EVERYWHERE

During 1956, prices rose in all forty cities included in The Conference Board's consumer price index. Only two cities were still below the 100.0 level. This contrasts with 1955 when fourteen cities reported price levels below the 1953 average of 100.0. But not all cities shared equally in the general price rise in the past year. Increases ranged from a slight 0.5% in Richmond to a substantial 3.3% in Akron. This compares with a 2.2% rise in the price level for the United States as a whole.

During the year, fifteen cities chalked up price advances greater than that of the United States, while the other twenty-five cities registered lesser advances.

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Research Is People—This brochure contains a group of papers presented at the fifty-first meeting of the Industrial Research Institute. The contents deal with the research scientist and engineer in industry—their recruitment, motivation and evaluation. Among the topics covered are: "Motivation of the More Creative Scientists and Engineers in Industrial Research," "What the Research Director Can Do to Motivate the Research Man," "An Organized Program for Evaluating New Engineering Personnel," and "Evaluating Broadly the Growth Potential of the Research Man." *Industrial Research Institute, New York University Press, New York, New York, 1956, 69 pp. $4.*

Monthly Review of Wage Adjustments

THE AVERAGE wage increase in the United States, which has held close to the dime-an-hour level for the past year, continued there for the period December 15 to January 15, according to THE CONFERENCE BOARD's tabulation of 101 confirmed adjustments. Of these 101 adjustments, ninety-one call for hourly increases, averaging 9.5 cents. And the over-all range is from 4 cents to 26.5 cents.

Half of the settlements call for increases of 10 cents an hour or more; and seven out of eight are for six cents or more. No decreases are reported. Percentage increases range from 5% to 10%.

An examination of the two settlements at the extremes of the hourly range may help explain the wide divergence found in this month's adjustments. The 4-cent increase represents a cost of living adjustment granted Douglas Aircraft employees. The contracts were reopened specifically for this purpose, and the increase is in addition to the 9 cents to 15 cents granted when contracts were negotiated last year with employees in about a dozen affiliated and independent unions. These contracts also provide for a deferred increase of 7 cents in 1957.

At the top of the range, the 26.5-cent increase represents a strike settlement between Bendix Westinghouse Automotive Air Brake Co., of Berkeley, California, and the International Association of Machinists, AFL-CIO. The agreement became effective in November, 1956, and runs for two years. It provides for an automatic increase of 8 cents at the end of the first year, and extends vacations to three weeks for employees with more than ten years' service.

Important settlements were also reported in the electrical and nonelectrical machinery, chemicals, and transportation industries. In most of these, contract duration was at least two years, with deferred increases specified. Liberalized benefits accompanied the wage increases.

Sperry Gyroscope Company and the International Union of Electrical Workers completed negotiations for a long-term contract in November—six months in advance of the old agreement's scheduled expiration date in May. This new contract, which covers both hourly and salaried IUE members, calls for a general increase of 5.3% to become effective in May, but 5 cents of this plus a 2-cent cost of living adjustment and a cost of living escalator clause are retroactive to the date of signing. The four-year contract also provides automatic increases of 3% in May, 1958, and approximately 3.5% in each of the remaining two years. Fringe benefits, effective next May, will raise the sickness and accident ceiling to $85 per week, and will provide major medical coverage, with the company paying half the premium. Additional noncontributory life insurance will be granted in 1958. The new contract will run until May, 1961.

The Allen Manufacturing Company of Hartford, Connecticut, negotiated a three-year contract with the United Automobile Workers which granted an increase of 13 cents an hour. This is considerably above the 6-cent minimum increase granted to UAW workers by the major auto companies in 1955. However, unlike most recent settlements negotiated by the UAW, this one omits a SUB clause and automatic increases. The fringe items include liberalized holiday benefits, group insurance, and funeral leave pay. Nonunion salaried employees were given tandem adjustments ranging from $4 to $6 a week.

The Maytag Company in Newton, Iowa, negotiated a contract with the UAW which more closely resembles the basic auto agreement. It grants an average hourly increase of 8.6 cents, with a 6-cent annual improvement factor becoming effective in November, 1957. A SUB plan is included, as well as other fringe items. Royal Typewriter Company, also negotiating with the UAW, settled upon an average increase of from 6 to 10 cents an hour for day workers and 5 cents for pieceworkers. A cost of living adjustment and annual improvement factors were additional items in the settlement; but here again, no provision was made for SUB.

In chemicals, two New Jersey plants of the Celanese Corporation of America and the Film Division of American Viscose Corporation in Fredericksburg, Virginia, all negotiated contracts with the Textile Workers, AFL-CIO. The Celanese Corporation agreements provide a 10 cents an hour general increase, with an additional 5 cents to specified workers. Only one of the plants negotiated fringe benefits, though both are one-year agreements. The American Viscose contract provides an average hourly increase of 7 cents. And immediate improvements in the Blue Cross, life insurance, and surgical-accident-health plans, plus improvements in the noncontributory pension plan in 1958, complete the package. The contract expires in March, 1960, with August 1, 1959, as the reopening date.

The Eastern, Western, and Southeastern Carriers'

(Continued on page 76)

Wage Adjustments Announced Prior to January 15, 1957

Company and Union(s)	Approximate No. and Type of Employees Affected;* Effective Date	Amount of Adjustment	Fringe Benefits**	Remarks
Apparel				
Merrimac Hat Corporation Amesbury, Mass. *Hatters, Cap, and Millinery Workers, AFL-CIO*	350 WE 11-5-56	$.07 per hr. on earnings up to $1.10 per hr.; $.05 per hr. on earnings above $1.10 per hr.	None	Result of contract expiration. Contract term—1 yr.
Chemicals and Allied Products				
Celanese Corporation of America Newark and Belvidere, N. J. *Textile Workers, AFL-CIO*	950 WE 11-56	$.10 per hr. general, add'l $.05 per hr. to mechanics, porters and tradesmen	(1) Add'l pd. hol.—Newark (2) Shift premiums increased to $.06 and $.12 per hr. from $.05 and $.10—Newark	Result of contract expiration. Contract term—1 yr.
B. F. Goodrich Chemical Company Louisville, Ky. *Distillery Workers, Plumbing Workers, Machinists—all AFL-CIO—WE* *No union—S*	800 WE 250 S 11-11-56	6% WE & S	(1) Premium for Sun. work (2) Shift premium increased (3) Cost of living adj. clause All fringes WE only	Result of wage reopening. Contract expires 12-1-59. Reopenings 11-10-57 and 11-9-58—WE Tandem adj.—S
Patterson-Sargent Company Cleveland, Ohio *Oil, Chemical and Atomic Workers, AFL-CIO—WE* *No union—S*	200 WE 11-1-56 *n.a.* S	$.10 per hr., add'l $.09 per hr. 1957—WE; $10 per wk.—S	(1) Increased contributory hospital benefits—WE & S (2) 7th paid hol.—WE & S	Result of contract expiration. Contract term—2 yrs.—WE Tandem adj.—S
Communications				
Cincinnati & Suburban Telephone Co. Cincinnati, Ohio *Communications Workers, AFL-CIO*	3,021 WE 12-2-56	$3 to $5 per wk.	Liberalized vacation eligibility and paid sick leave	Result of contract expiration. Contract term—1 yr.
The Lincoln Telephone & Telegraph Co. 22 counties in Nebraska *Communications Workers, AFL-CIO*	1,242 WE 11-2-56	$3.81 per wk. av.	None	Result of contract expiration. Contract term—1 yr.
Michigan Bell Telephone Co. Detroit, Mich. *Communications Workers, AFL-CIO—WE & S*	16,750 WE 3,130 S 11-7-56	$2.50 to $5 per wk.—WE $2.50 to $3 per wk.—S (both depending on area and rate)	(1) 7th paid hol. (2) Work-connected accidental death allowance increased to $30,000 from $10,000 (3) Liberalized death benefit plan (a Social Security supplement) (4) Liberalized coverage on sick leave pay All fringes WE & S	Result of contract expiration. Contract term—1 yr.
New Jersey Bell Telephone Co. Statewide New Jersey *Communications Workers, AFL-CIO—WE & S*	8,950 WE 550 S 11-11-56	$2.50 or $3 per wk. depending on length of service—WE & S	None	Result of contract expiration. Contract term—1 yr.
Pacific Telephone and Telegraph Company Northern California and Nevada	20,000 WE 10-28-56	$4.299 per wk. av., plant employees; $3.412 per wk. av., traffic employees	(1) Increased accidental death benefits and burial allowance (2) Some increments increased	Result of contract expiration. Contract term—1 yr.
Southern California	12,800 WE 11-25-56	$4.185 per wk. av., plant; $3.957 per wk. av., acctg.	Increased accidental death benefits and burial allowance	Same as above

(Continued on next page)

Company and Union(s)	Approximate No. and Type of Employees Affected;* Effective Date	Amount of Adjustment	Fringe Benefits**	Remarks
Washington State and Northern Idaho	7,552 WE 11-18-56	$4.185 per wk., av., plant; $3.281 per wk. av., traffic; $3.212 per wk. av., acctg.	(1) Increased accidental death benefits and burial allowance (2) Some increments increased	Result of contract expiration. Contract term—1 yr.
Statewide Oregon *Communications Workers, AFL-CIO (all locations)*	5,245 WE 11-25-56	$4.255 per wk. av., plant $3.329 per wk. av., traffic $3.331 per wk. av., com'l. $3.365 per wk. av., acctg. $3.027 per wk. av., treas.	(1) Increased accidental death benefits and burial allowance (2) Some increments increased	Result of contract expiration. Contract term 13½ mos.
Southwestern Bell Telephone Co. Missouri, Arkansas, Kansas, Oklahoma and Texas *Communications Workers, AFL-CIO*	50,000 WE 11-11-56	$2.50 to $5 per wk. (4% to 10%)	(1) Liberalized coverage on sick leave pay (2) Accidental death benefits increased	Result of contract expiration. Contract term—1 yr.
Electrical Machinery, Equipment and Supplies				
Sperry Gyroscope Co. Great Neck, N. Y. *IUE, AFL-CIO*	7,602 WE 11-56	5.3% general, eff. 5-57, of which $.05 per hr. becomes eff. immediately; add'l 3% 5-58, add'l 3.48% in 1959, and 3.46% eff. 1960	(1) $.02 cost of living adj. eff. immediately (2) Cost of living escalator provision for contract duration (3) Blue Cross-Blue Shield for retiring employees (4) $.02 inequity fund eff. 5-57 (5) Max. sick and accident benefits increased to $85 per wk. eff. 5-57 (6) Major medical coverage at half cost eff. 5-57 (7) Increased noncontributory life ins. eff. 5-58	Result of contract expiration. Contract term—4½yrs.
Fabricated Metal Products				
Baldwin-Lima-Hamilton Corp. Eddystone, Pa. *Steelworkers, AFL-CIO—WE* *No union—S*	2,200 WE 9-10-56 (signed 11-5-56) 225 S 12-1-56	$.06 per hr., add'l $.04 per hr., 11-5-56—WE; 5%—S	(1) Add'l paid hol. (2) Noncontributory Blue Cross-Blue Shield Fringe items eff. 12-1-56 for WE & S	Result of contract expiration. Contract term—1 yr.—WE; Tandem adj.—S
Food and Kindred Products				
C. A. Swanson & Sons Omaha, Neb. *Meat Cutters, AFL-CIO*	2,510 WE 11-5-56	$.09 per hr.	Change from Standard Blue Cross Hospitalization to Comprehensive Blue Cross	Result of contract expiration. Contract term—1 yr.
Leather and Leather Products				
Framglo Tanners, Inc. Gloversville, N. Y. *Leather Workers, AFL-CIO*	*n.a.* WE 9-17-56 (signed 11-23-56)	$.10 per hr. av.	None	Result of wage reopening. Contract term—1 yr.
Machinery (except Electrical)				
Allen Manufacturing Co. Hartford, Conn. *UAW, AFL-CIO—WE* *No union—S*	500 WE 135 S 11-56	$.13 per hr.—WE; $4 to $6 per wk. depending on grade—S	(1) 3 days' paid funeral leave—WE (2) 8th paid hol.—WE & S (3) Group ins. benefits increased to $40 per wk. from $35, daily hospital benefits increased to $14 from $12, and surgical increased to $300 from $250—WE & S	Result of contract expiration. Contract term—3 yrs.—WE; Tandem adj.—S

Wage Adjustments Announced Prior to January 15, 1957—Continued

Company and Union(s)	Approximate No. and Type of Employees Affected;* Effective Date	Amount of Adjustment	Fringe Benefits**	Remarks
Jeffrey Manufacturing Co. Columbus, Ohio *Machinists, and Molders and Foundry Workers—both AFL-CIO*	2,000 WE 11-19-56	$.10 per hr., add'l $.09 per hr. 1957, and $.08 per hr. 1958	(1) Shift premiums increased to $.13 and $.16 per hr. (2) Cost of living escalator clause (3) Add'l paid hol. (4) 3 wks.' vacation after 15 yrs. (5) Increased contributory ins. benefits (6) Jury duty pay	Result of contract expiration. Contract term—3 yrs.
Maytag Company Newton, Ia. *UAW, AFL-CIO*	3,095 WE 11-7-56	$.086 per hr. av., add'l $.06 per hr. 11-4-57	(1) Call-in pay increased to 4 hrs. from 3 (2) Jury duty pay (3) SUB plan	Result of contract expiration. Contract term—2 yrs.
Oster Manufacturing Co. Wickliffe, Ohio *Steelworkers, AFL-CIO*	176 WE 12-1-56	$.10 per hr.	(1) Sick and accident benefits increased to $30 per wk. from $10, for duration of 26 wks. instead of 13. Waiting period for sick. benefits increased to 7 days from 3 (2) Add'l half hol. (Christmas Eve)	Result of contract expiration. Contract term—2 yrs.
Royal Typewriter Co., Inc. Hartford, Conn. *UAW, AFL-CIO*	5,000 WE 10-29-56 (signed 11-8-56)	$.06 to $.10 per hr., add'l $.05 to $.08 per hr. 1957 and 1958 for day workers. $.05 per hr., add'l $.05 per hr. 1957 and 1958 for piece workers	(1) Major medical ins. (2) 8th paid hol. (3) 3 days' funeral leave pay (4) Add'l vacation day for each year from 11 through 14 yrs. (5) Weekly indemnity increased to $35 from $30 (6) Cost of living escalator clause	Result of contract expiration. Contract term—3 yrs.
Union Hardware Company Torrington, Conn. *IUE, AFL-CIO*	*n.a.* WE 12-20-56	$.10 per hr., add'l $.08 per hr. in 2nd yr., add'l $.05 per hr. 3rd yr. for day workers. $.16 per hr., add'l $.08 per hr. 2nd yr., and $.07 per hr. 3rd yr. for skilled workers. $.05 to base rate in each yr. for incentive workers	(1) Shift premium increased to $.07 and $.10 from $.05 to $.07 (2) Hospital. benefits increased $2 per day for employees and dependents (3) Life ins. increased to $1,500 from $1,000 in first yr. and to $2,000 in 2nd yr. (4) Interim pension plan est.	Result of contract expiration. Contract term—3 yrs.
Paper and Allied Products				
Hinde and Dauch Paper Co. Chicago, Ill. *Printing and Paper Crafts Union, ind.*	156 WE 11-1-56	$.095 per hr.	3 days' funeral leave pay	Result of contract expiration. Contract term—1 yr.
Primary Metal Products				
Woodward Iron Co. Woodward, Ala. *District 50, UMWA, ind.—WE* *No union—S*	657 WE 67S 11-1-56 (wage adj. retroactive to 8-1-56)	Same as basic steel pattern—WE; 6%—S	Same as basic steel pattern—WE; None—S	Result of contract expiration. Contract term—3 yrs. Wage reopening on or before 1-1-59—WE Tandem adj.—S
Printing and Publishing				
Cleveland Press Cleveland, Ohio *Typographical Union, AFL-CIO*	160 WE 9-30-56 (signed 11-27-56)	$4.50 per wk., add'l $2.50 per wk. 1957	No major changes	Result of contract expiration. Contract term—2 yrs.
Newspaper Guild, AFL-CIO	400 S 11-1-56	$4 to $6.50 per wk., add'l $2.50 per wk. 1957	Same as above	Same as above

Wage Adjustments Announced Prior to January 15, 1957—Continued

Company and Union(s)	Approximate No. and Type of Employees Affected;* Effective Date	Amount of Adjustment	Fringe Benefits**	Remarks
Forest City Publishing Co. *Cleveland News* and *Cleveland Plain Dealer* Cleveland, Ohio *Typographical Union, AFL-CIO*	400 WE 10-1-56 (signed 11-18-56)	$4.50 per wk. add'l $3.50 per wk. 11-1-57	*n.a.*	Result of contract expiration. Contract term—2 yrs.
Newspaper Guild, AFL-CIO	300 S 11-1-56	$4 to $6.50 per wk., add'l $2.50 per wk. 11-1-57	Liberalized terminal leave pay	Same as above
Public Utilities				
Florida Power & Light Co. Miami, Fla. *IBEW, AFL-CIO—WE* *No union—S*	2,626 WE 1,304 S 9-22-56 (signed 11-2-56)	5.4%—WE & S	(1) Liberalized vacation for employees with from 11 to 14 yrs. service, eff. 1-1-57—WE & S (2) Add'l paid hol. (Memorial Day)—WE & S	Result of contract expiration. Contract term—2 yrs.—WE Tandem adj.—S
Northern Indiana Public Service Co. Hammond, Ind. *District 50, UMWA, ind.—WE*	2,600 WE 6-1-56—Physical; 8-1-56—clerical (both signed 11-56)	6%, add'l 6% 6-1-57—physical employees; $.15 to $.17 per hr.—clerical employees	(1) Inequity adj. (2) Liberalized vacation for employees with more than 10 yrs.' service (3) Add'l paid hol. (Good Friday) (4) 120% of base pay for Sat. work increased to 130% in 1957 and 150% in 1958 (5) Shift premium increased to $.07 and $.10 from $.04 and $.06 (6) Liberalized sick leave benefits (7) Increased hospital-surgical benefits All fringe benefits for both both physical and clerical employees	Result of contract expiration. Contract term—3 yrs. Wage reopening in 1958—physical employees. Result of contract expiration. Contract term—1 yr.—clerical employees
Retail and Wholesale Trade				
Food Employers Council, Incorporated Southern California *Meat Cutters, AFL-CIO*	4,500 WE 11-4-56	$.075 per hr. ($3 per wk.), add'l $.075 in 1957 and 1958	(1) 3 wks.' vacation after 5 yrs. (2) $.10 per hr. per employee for pension plan (3) Triple time when Sun. is 6th day of work	Result of contract expiration. Contract term—3 yrs.
Sioux City Stock Yards Co. Sioux City, Ia. *Packinghouse Workers, AFL-CIO—WE* *No union—S*	191 WE 48 S 11-5-56	$.10 per hr.—WE *n.a.*—S	Increased hospitalization benefits—WE & S	Result of contract expiration. Contract term—1 yr.—WE. Tandem adj.—S
Services				
Hayes Aircraft, Fort Rucker Div. Dothan, Ala. *Machinists, AFL-CIO*	656 WE 11-12-56	$.06 per hr. ($.06 increase added to max. rate for each job class)	Add'l paid hol.	First contract. Contract term—1 yr.
Stone, Clay and Glass Products				
Ball Brothers Company, Inc. Muncie, Ind. *Glass Workers, AFL-CIO*	1,300 WE 10-22-56	$.12 per hr., add'l $.07 per hr. 1957 and 1958	(1) 3 days' funeral leave pay (2) Liberalized ins. (3) Shift premium increased $.01 (4) Pension plan to be est.	Result of contract expiration. Contract term—3 yrs.

Wage Adjustments Announced Prior to January 15, 1957—Continued

Company and Union(s)	Approximate No. and Type of Employees Affected;* Effective Date	Amount of Adjustment	Fringe Benefits**	Remarks
Transportation				
Eastern, Western and Southeastern Carriers' Conference Committees (representing the majority of major railroads of the country) Interstate *Locomotive Firemen and Enginemen, ind.*	50,000 WE 11-1-56	$.10 per hr., or $.80 per day for employees on other than 5-day workweek; $.16 per hr. or $1.28 per day for those on 5-day workweek. Add'l $.07 per hr. or $.56 per day in 1957 and 1958 to all employees	(1) Optional health security fund, eff. 11-1-57 (2) Cost-of-living adj.	Result of contract expiration. Contract term—3 yrs.
K.L.M. Royal Dutch Airlines New York, N. Y. *Transportation Workers, AFL-CIO*	54 WE 11-14-56	10%	None	First contract. Contract term—1 yr., 4 mos.
St. Paul Union Stockyards Co. South St. Paul, Minn. *Packinghouse Workers, AFL-CIO*	400 WE 10-29-56	$.10 per hr.	Shift premium increased $.01	Result of contract expiration. Contract term—1 yr.
Transportation Equipment				
Douglas Aircraft Company, Inc. Santa Monica and El Segundo, Calif. *Machinists, IBEW, Painters, Hotel and Restaurant Employees, Teamsters, Operating Engineers—All AFL-CIO; Southern California Professional Engineering Assn., Aircraft Welders, Douglas Assn. of Security Officers—all ind.*	39,000 WE 11-5-56	$.04 per hr.	Cost-of-living adj.	Result of wage reopening. Contracts expire between April 1, 1958 and July 2, 1958

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*WE, wage earner; S, salaried personnel; *n.a.*, not available.

**Fringe benefits include all benefits received by workers at a cost to employers.

Comparative Wage Data

(Continued from page 41)

meet the union at the bargaining table. They used Example E during negotiations in order to show, in graphic form, that the company gave more in wages and benefits than its competitors. The chart shows that while competitive firms may have given more generous benefits for a few items, this company gave the most generous benefits for the overwhelming majority of items. This firm believes that the chart showed the over-all picture better than could any statistical table.

Trade associations, in order to help their member firms during negotiations, often prepare tables or charts that compare their industry's wages with those paid in other industries. For instance, one trade association compared what its employer members pay their production workers with the rates paid by other prominent industries. By using this example, employer members were able to quickly point out how well their industry was doing in relation to others.

Table 5: Sources Used by 213 Companies To Gather External Wage Rate Data

Source	Number of Companies
Trade and manufacturers associations	112
Other companies	107
Federal Government—particularly Bureau of Labor Statistics	84
Private research organizations such as THE CONFERENCE BOARD	66
Company's own survey	28
Union contracts	20
Personal contacts	14
State and local government agencies	11
Newspapers	5
Unions	3
Miscellaneous	7

Industry Leaders

Because pattern bargaining has become so important, many companies compare their wage rates with those paid by such industry leaders as General Motors, General Electric and United States Steel. One company used such information in tabular form to prove

Table 6: How 213 Companies Use Wage Surveys

By Size of Company

Practice	Number of Companies	Number of Employees: 1-249	250-999	1,000-4,999	Over 5,000
Total companies	213	26	48	67	72
Conduct own wage surveys	147	8	30	46	63
Participate in surveys conducted by other companies and organizations	189	22	43	60	64
No answer	4	2	0	1	1
If company conducts or participates in wage surveys, surveys cover:					
Company's immediate job market or community area	170	20	39	56	55
Company's industry	159	17	33	48	61
Others	7	2[a]	1[b]	2[c]	2[d]

[a] Includes similar industries or crafts and suppliers surveys.
[b] Spot jobs survey.
[c] Includes state and national surveys.
[d] Includes surveys of each town in which company operates and surveys of association members.

Table 7: How Twenty-six Canadian Companies Use Wage Surveys

Practice	Number of Companies
Conduct own surveys	21
Participate in surveys conducted by other companies and organizations	25
If company conducts or participates in wage surveys, surveys cover:	
Company's immediate job market or community area	23
Company's industry	20
Others[1]	7

[1] Includes large companies; specific jobs in areas having contracts with the same union; industry as a whole; and other companies who deal with same union.

how well it paid its workers in comparison with what industry leaders had done. The table quickly demonstrated that the company had given larger increases during the decade covered than any of the industry leaders. It was further able to show that although the wages of one of the leaders had increased more percentagewise, this was a false comparison because this industry leader had started the decade paying far less than the company making the comparison.

A southern company used the chart that is shown in Example F during its negotiations to demonstrate that, for the years covered, it had granted increases totaling $1.05 as compared with 83 cents for one of the leaders and 88.5 cents for another one of the leading companies.

Union Patterns

At contract renewal time, an important item for any company to know is how much other companies dealing with the same union pay their employees. A picture favorable to the company becomes a valuable item to show union negotiators. An Ohio company used the chart in Example G to prove it had granted more benefits to its workers than twenty-four other companies with which that union negotiates. Only three companies had granted more.

Figures for the Country as a Whole

Generally, figures for the nation as a whole are considered least important during negotiations. Nonetheless, since they place the company in the whole complex of the nation's wage picture, they have demonstrated value. Executives report these figures are particularly useful as a communications medium—especially if the company pays more than the nation.

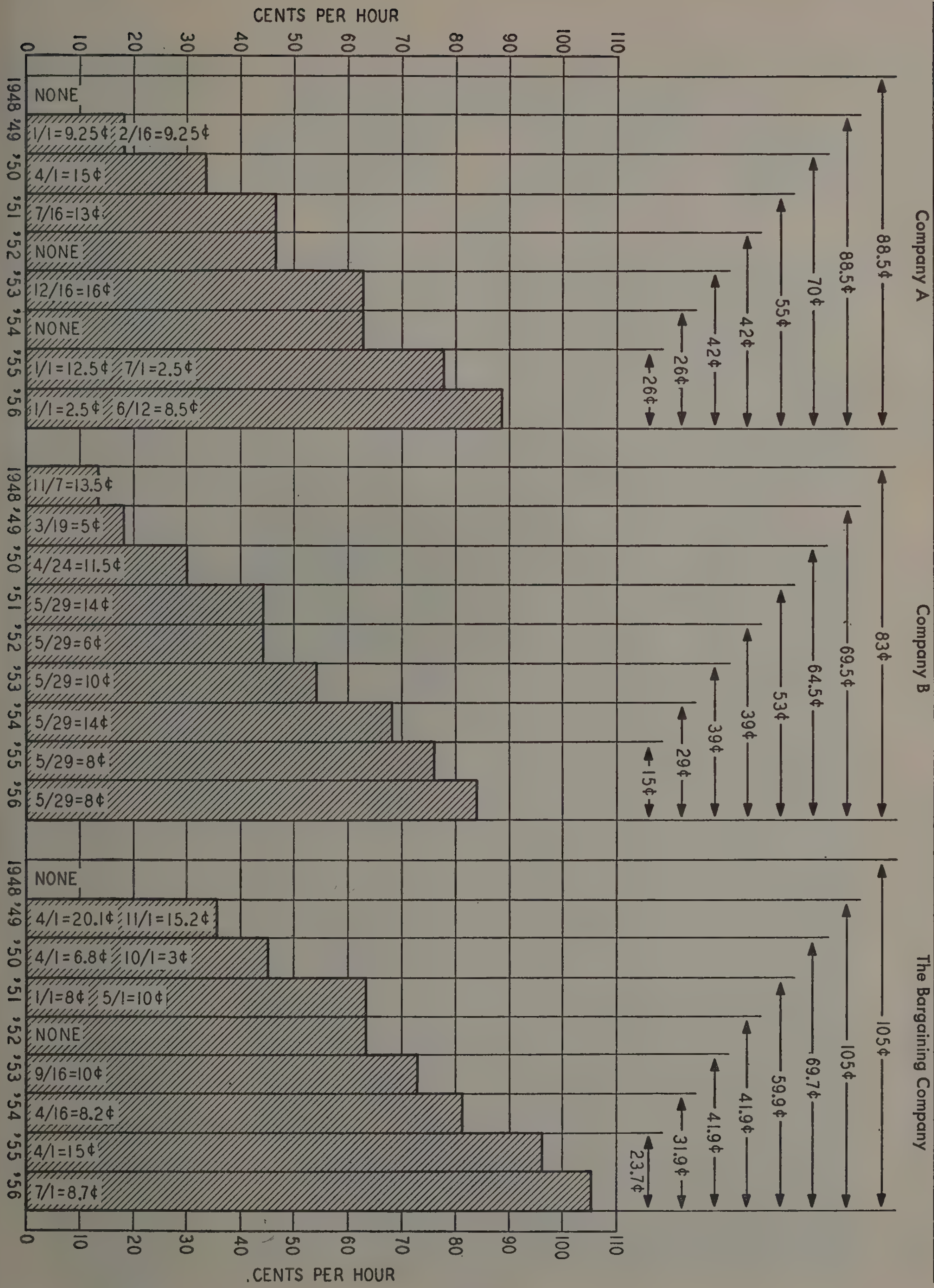
Example E: Surveying Company's Wages and Fringes in Relation to Its Five Major Competitors

Surveying Company's Wages and Fringes Are:

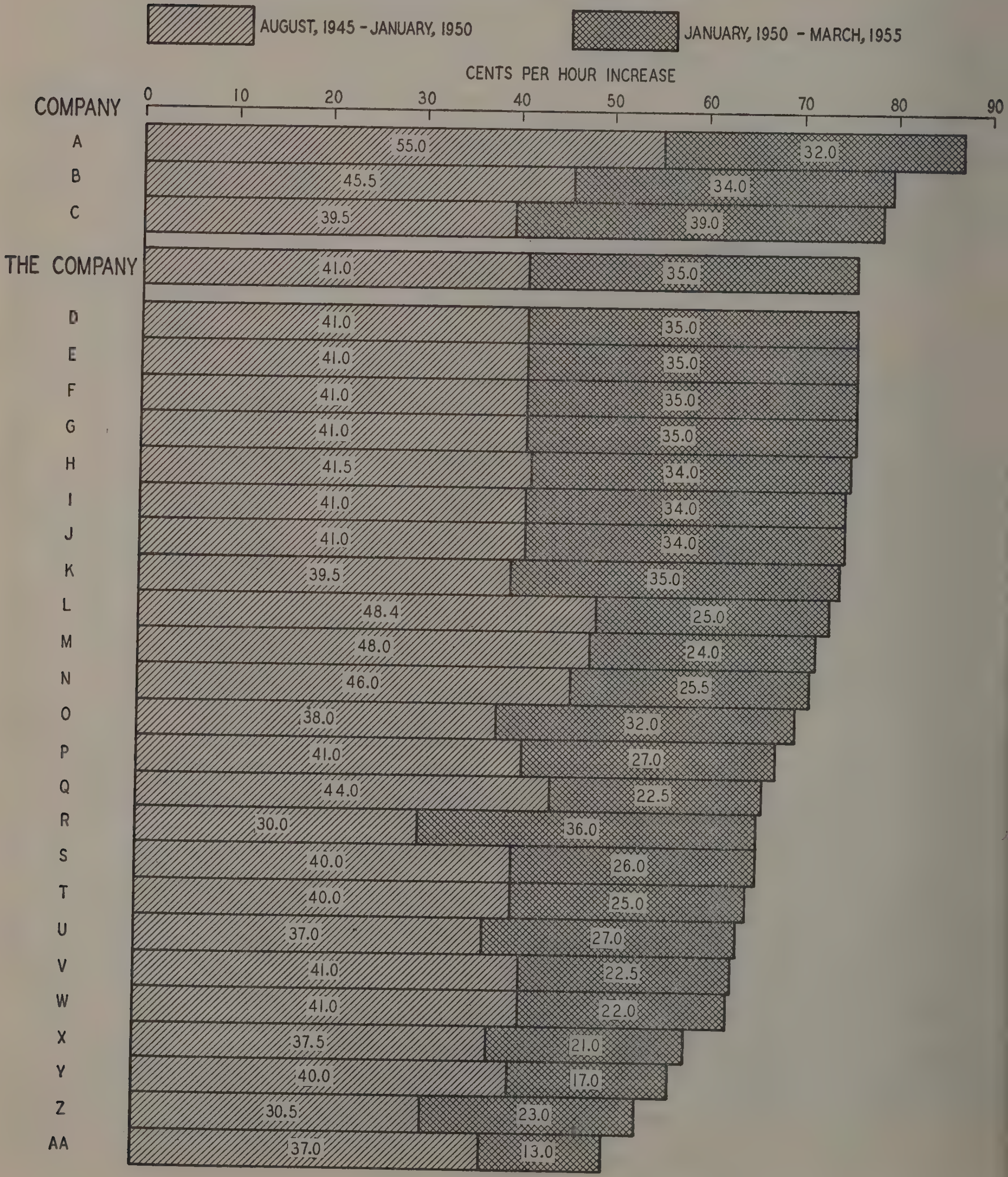
■ GREATER
▣ ABOUT SAME
◆ LOWER
▨ DOES NOT APPLY

COMPANY ▶▶▶	A	B	C	D	E
BASE HOURLY RATE	■	■	■	■	■
PRODUCTION BONUS	◆	▨	◆	▨	▨
NIGHT RATE	■	■	■	■	■
YEAR END BONUS *OPPORTUNITY*	▣	■	■	■	◆
SUNDAY OR 7TH DAY PAY	▣	◆	▣	■	■
UNIFORMS AND LAUNDRY SERVICE	■	▣	■	■	■
VACATION TIME	■	◆	■	▣	■
VACATION PAY FORMULA	■	■	■	■	■
PAID HOLIDAYS	■	◆	▣	▣	▣
HOLIDAYS WORKED-PAY	■	■	■	▣	▣
GROUP INSURANCE *LIFE, SICK AND ACCIDENT HOSPITAL AND SURGICAL*	■	■	■	■	■
RETIREMENT POLICIES	■	■	■	■	■
LUNCH OR REST PERIODS	■	■	■	■	■
TOTAL VALUE OF ALL BENEFITS	■	■	■	■	■

Example F: General Wage Adjustments Accumulated to December 31, 1956—by Years



Example G: General Wage Increases Granted by Major Companies with which Union Holds Bargaining Rights



The favored source for such data is the Bureau of Labor Statistics. Sometimes this information is tied in with the community and the company. One company used a graph to compare its average hourly earnings with the average hourly earnings of workers in all manufacturing in the community, as well as with all workers in durable goods in the country.

Sources for Wage Rate Data

Where do companies get their information concerning external wage rates and wage settlements? More than half (112) of the 213 companies queried receive information from trade and manufacturers' associations (see Table 5 on page 69). One hundred and seven gather data from other companies. And eighty-four depend upon the Federal Government, particularly the Bureau of Labor Statistics, for help. Research organizations like The Conference Board are the next major source of wage rate data. Obviously companies often use several sources for this information.

Wage Surveys

Wage surveys are an extremely important source for external wage rate data. Nearly all of the 213 companies conduct or participate in wage surveys. As Tables 6 and 7 show, almost 70% of the companies conduct their own surveys, and nearly 89% participate in surveys conducted by other firms. Of these surveys, 170 cover the immediate job market area, while 159 cover the industry.

Table 8: Types of External Wage Data Found Valuable by Thirty-eight Unions*

External Wage Data	Number of Unions
Industry rates	35
Area rates	24
Figures for nation as a whole	18
Company rates	4
Union contract rates	3
Area rates for skilled jobs	2
Craft rates	2
Miscellaneous	4[a]

* With a membership of 7.5 million.
[a] Includes rates in basic industries such as automobile; historical; competitors; and classification rates.

Table 9: Data on Types of Settlements Thirty-eight Unions Find Useful in Collective Bargaining

Settlements by other companies within the jurisdiction of the union	30
Settlements in the immediate job market area of the firm with which the union is dealing	23[a]
Settlements negotiated by the big companies, such as General Motors, General Electric, U. S. Steel, etc.	23[b]
Miscellaneous	6[c]

[a] One union uses this information mainly for clerical salaries. Another union occasionally uses it but mainly to refute company's insistence on area rates.
[b] One union only uses this information in companies subject to "steel formula." Another union only uses this information with large companies or with those in the same area as the big companies.
[c] Includes over-all trends, other unions' contracts, general wage settlements of all unions, settlements in same company, and industry rates.

HOW UNIONS USE WAGE RATE DATA

Unions also use comparative wage data extensively during collective bargaining[1]—and in about the same way management does, though they sit on opposite sides of the bargaining table. This information is also valuable to unions in planning for negotiations, and these data are used to strengthen the union position or to rebuff the position of management.

As a Communications Medium

Union leaders are fully aware that the members judge them on how their wages compare with those secured by workers in other unions. And a union leader's success or failure to achieve comparable increases will have a political or psychological effect not only upon his status within his own union but also within the whole labor movement. Consequently, the comparative data are often used during and after negotiations to help convince the members and the public of the justice of the union's demands.

Types of Wage Data Collected

Unions collect data which are similar to those sought by management, but unions often stress different aspects of these data. Unions prefer industry rate comparisons rather than community rate comparisons. One union research director reports:

> "We do not believe that area rates are proper criteria for industries that operate in nationwide markets. Nevertheless, we may on occasion use area rates solely for the purpose of showing the falsity of claims advanced by employers with respect to these rates as compared to rates paid by other companies in the same area."

Of the thirty-eight unions surveyed (with a total membership of more than 7.5 million), thirty-five gather industry-wide external wage rate data while twenty-four gather area rates. Thirty are interested in contract settlements signed by companies that deal with the union, while twenty-three are interested in settlements in the immediate job market area or those signed by industry leaders (see Tables 8 and 9).

Area Rates

Even when unions use area rates, they frequently use them only as a basis for comparison with other area rates. For instance, one union uses a map, as shown in Example H, to inform its locals of the area average of the straight-time hourly earnings of workers in plants where the union has jurisdiction. This same union also prepares a bar chart (see Example I) that portrays the differences in wages paid by small and large plants in each area. These two devices are

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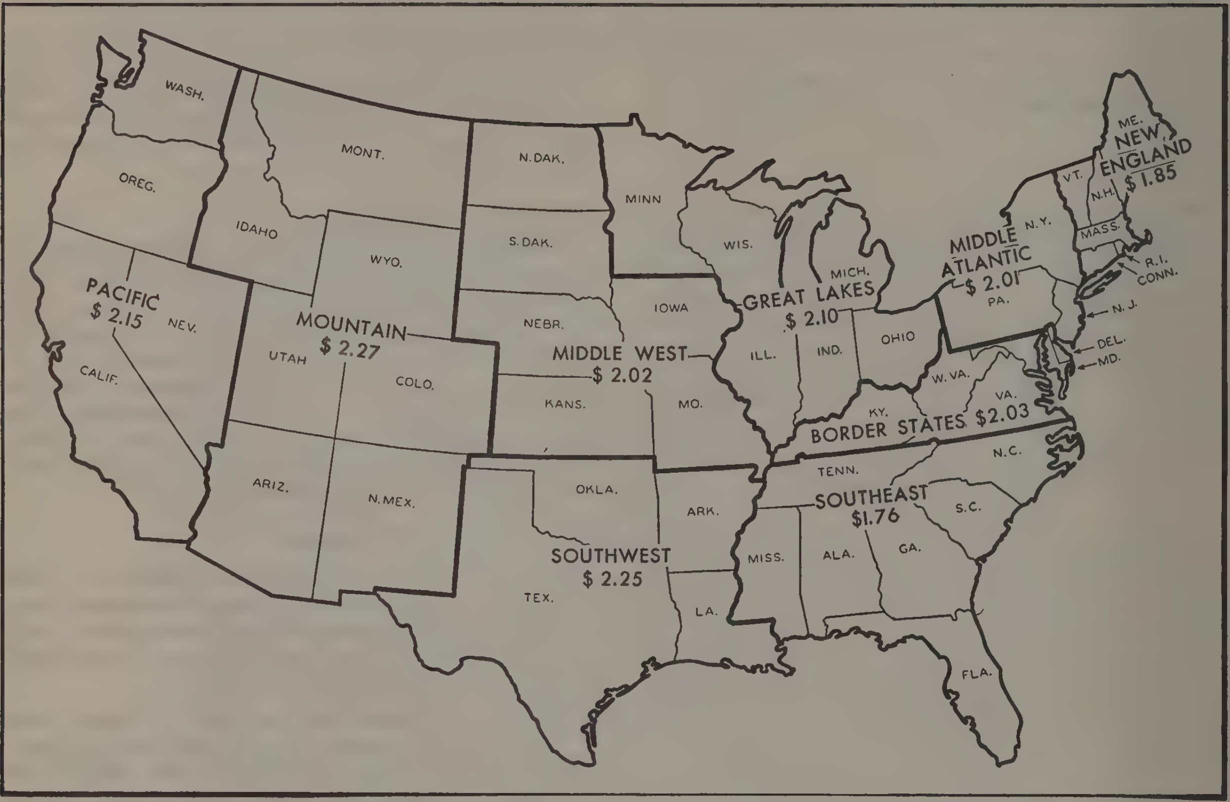
[1] For examples and a discussion of other functions of comparative wage analysis of unions, see "White Collar Unionization," *Studies in Personnel Policy*, No. 101, p. 15; "The Practice of Unionism" by Jack Barbash, Harper and Brothers, New York, New York, 1956, p. 10; "Trade Union Wage Policy" by Arthur Ross, University of California Press, 1948, p. 51.

Example H: Hourly Earnings, by Area, for Plants where Union Has Jurisdiction



used to bolster demands for a wage increase for workers in small plants and in low-paying regions.

Industry Rates

A white collar union operates in a field which has three major companies, called the "Big Three." In order to show that some of the white collar workers were receiving lower wages than other workers in the field, this union used two tabular presentations of the data.

In one case, the union was negotiating with one of the Big Three. Therefore it used one table to show that the company provided less in weekly earnings and gave smaller percentage increases than did the other two major companies. At another time, the same union was negotiating with a smaller company in the field. Consequently, it pitted the smaller company against the Big Three as well as against all manufacturing workers in the country. Again, according to the union, the smaller company paid less money and gave smaller percentage increases to its employees than did the Big Three companies. Moreover, although the average employee represented by the union in this company received a higher salary than did the average American manufacturing worker, the union contended that since 1946 the manufacturing workers had increased their earnings by 63% while the smaller company's employees had only increased their earnings by 17%.

Frequently, unions attempt to compare rates for key jobs in their industry with rates for similar jobs in other industries. One such approach is to compare the lowest-paid with the highest-paid jobs in the industry to see how wide the spread is. Then this is compared with the spread in other industries.

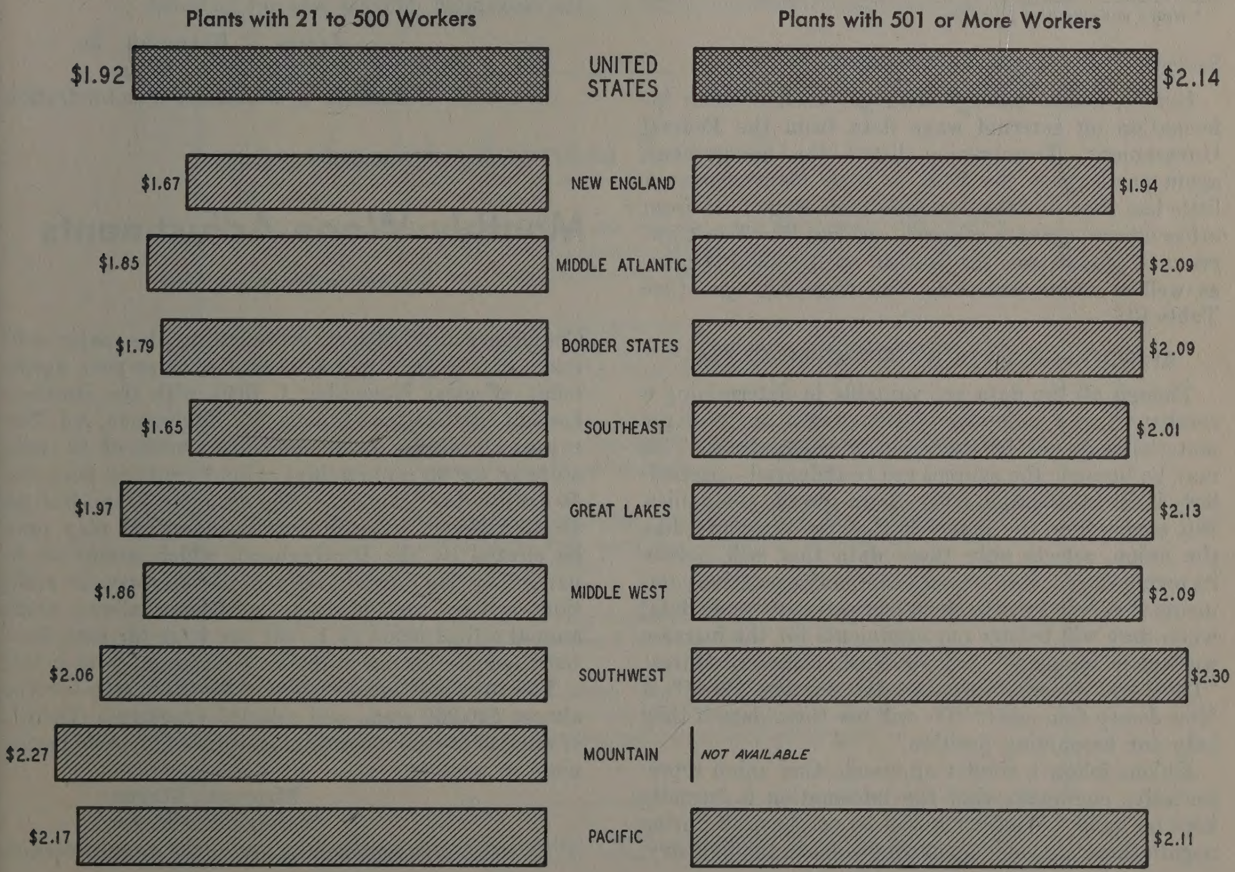
One union found that the spread between the lowest-paid and the highest-paid worker in the industry over which it tried to wield jurisdiction was very narrow compared with other industries. The union sent this information to its officials who handle negotiations throughout the country with the comment that although "percentage increases versus flat cents-per-hour increases is a controversial subject when considered as a matter of general policy . . . this should not prevent general agreement on a policy designed to correct some interindustry wage inequities."

Another union used comparisons of wage increases in different industries to strengthen its argument that its members should receive larger increases in the new contract. It gathered data on both wage settlements and hourly earnings in its industry and compared them with other industries. In this way it was able to show that its members had fallen behind other industries in wage increases and fringe benefits during 1954 and 1955. The same union also pointed out in figures it sent to its staff that it had achieved great success in 1949, but since that time the hourly earnings of workers in the industry have increased substantially less than in the other major industries mentioned. "Why have we fallen behind in both wages and fringes?" the union asked. "Because we are not organized," it replies. And it concludes that these data should be used by the union's representatives to spur on the fight, during the coming negotiations, for higher wages, improved fringe benefits and increased organization.

Industry Leaders

In striving to get more for their members, unions often refer to the wages and wage increases granted by pace setters in industry. Some of the examples already shown demonstrate how this is done. A prominent union gathered the minimum labor rates of major companies throughout the country and compared them with the minimum labor rates granted by an industry leader with which the union had to deal. According to the table, which was used as part of the union's publicity during negotiations, the industry leader was third from the bottom in its minimum labor rate.

Another union sought to strengthen its position during negotiations by showing that the bargaining company had granted smaller percentage increases than the average granted to all workers in manufacturing, to all workers in durable goods, and to all workers in the same industry. To prove to the company that it lagged in wage increases, the union used the percentage increase approach (see Example J) because the company paid more on an hourly basis than did the other three leaders in the industry. To demonstrate further that wages were too low, the union used straight-time hourly rates in comparing this company's wage rates with one of the leading and highest-paying companies in America.



Example I: Comparisons of Hourly Earnings in Small and Large Plants in X Industry

Example J: Comparison of Percentage Wage Increases

Surveyed Group	1950	1953	Per Cent Change from 1950 to 1953
All manufacturing	$1.39	$1.74	25.2
Durable goods	1.45	1.84	26.9
The industry	1.39	1.74	25.4
The company	1.66	2.06	24.1

Table 10: Sources of External Wage Data for Thirty-eight Unions*

Sources	Number of Unions
Federal Government—particularly Bureau of Labor Statistics	11
Other unions	11
Private research services, such as The Conference Board, the Bureau of National Affairs	11
Union contracts	10
Wage surveys	9
Trade associations and journals	6
Private internal union sources	5
AFL-CIO	2
Companies	2

* With a membership of 7.5 million.

Sources

Unions, unlike management, get most of their information on external wage data from the Federal Government. Twenty-nine listed the government, again particularly the BLS, as their main source. A little less than one-third receive their wage data from other unions, private research services like The Conference Board and the Bureau of National Affairs, as well as union contracts and wage surveys. (See Table 10.)

APPROPRIATE DATA AT APPROPRIATE TIME

Though all the data are valuable in determining a company's or a union's stand on wages, some of the material may not be used during negotiations. This may be because the sources are confidential—particularly if the information comes from specific companies. But more often, the reason is that the company, like the union, selects only those data that will bolster its own position. One western company executive comments that "we refer to them [comparative wage data] when they will bolster our arguments for the increase we feel is justified." A New York company states: "Their use depends on what the surveys show." A New Jersey firm adds: "We will use these data if they help our bargaining position."

Unions follow a similar approach. One union representative comments that the information is "usually kept on hand." Whether it will be emphasized during negotiations "depends upon conditions in the industry, the general economy, and the particular area in which the company or companies are located."

This selective approach to data may create problems, particularly when the union favors one type of information and the company favors another. A union official discusses these problems and sums up labor's point of view as follows:

> The companies try to rule out any favorable material that we compile which goes beyond an area pattern. Yet, at the same time, they will not exceed a "national pattern" in negotiating a local contract in any of their plants. Therefore, we must emphasize those points which will furnish our negotiators with the strongest arguments.

And, of course, the same data, honestly collected, can be used to tell different stories. For example, a change in the base dates fundamentally altered two bar charts used during a wage case. One bar chart showed all increases granted by nine industries as of November of a given year. This included the wage increase granted in the month of November by the industry involved in the case. But in another chart, the base date was changed to December of that year, and all increases since then were tabulated. As a result, the industry was reported as having given no increases—or far less than the eight other industries—because the November increase was not included.

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Monthly Wage Adjustments

(Continued from page 64)

Conference Committees, representing the major railroads of the country, concluded a three-year agreement, effective November 1, 1956, with the Brotherhood of Locomotive Firemen and Enginemen, ind. The contract provides for an immediate boost of 10 cents an hour (or 80 cents a day), plus 7 cents an hour (or 56 cents a day) in each of the next two years. But, as an alternative, a hospital-medical-surgical plan may be elected by the Brotherhood, which would be financed by the second year's 7-cent increase. In addition, a new cost of living provision allows semi-annual adjustments of 1 cent per hour for each five-tenths of a point rise in the BLS consumer price index.

The 101 adjustments reported for the month involve almost 500,000 wage and salaried employees. Details of most of these settlements appear in the table beginning on page 65.

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Studies in Business Policy

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No. 51—Protecting Records in Wartime
No. 50—Military Inspection in Industry

In the July Business Record

The Uneasiness in Stability—"Has the postwar surge of business been mainly long-term growth? Or has the boom contained a major upswing of a business cycle, of which the current stability is a crest?"

Trend in Employment—Civilian jobs continue to increase, but at a slower pace. The article takes a look at the changing composition of the work force and at the growing shift away from factory production jobs.

Executives Report Second-half Prospects Good—The Board's monthly survey of business experience reveals a generally optimistic outlook by businessmen for the six-month period just commencing.

Perspective on Consumer Durables—The trouble isn't with the consumer—he's still willing and eager to buy everything. Industry's "troubles are in inventories and competition, not sales."

Antitrust Polarity: The Two du Pont Decisions—Some of the questions raised by the Supreme Court ruling on June 3 are considered.

Debt Pace of State Governments—Their "net borrowing in the postwar period has increased at a faster rate than any other form of debt, public or private." What are the causes, the patterns, the trends, the implications?

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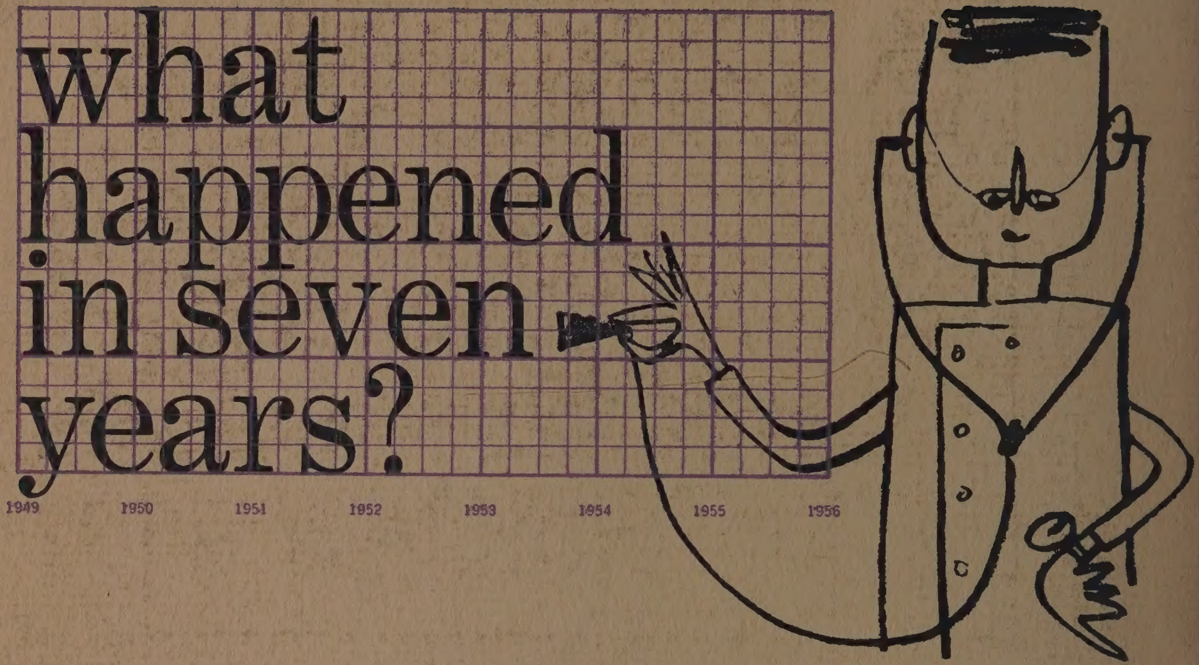
what happened in seven years?



Early in 1949, the United States Supreme Court ruled that pensions and other welfare benefits were a proper subject of collective bargaining. That year is generally recognized as the end of an era of management's unilaterally instituted health and welfare plans. It also marked the launching of the CIO unions' first powerful drive for extensive welfare programs.

What has happened to these plans in the years since 1949?

The Conference Board made a detailed study of the group insurance programs of 261 companies back in the middle of 1949—just before the union drive began to have its effect. Now, seven years later, the Board has surveyed these same companies again. "Trends in Company Group Insurance Programs" describes in detail the current plans of the companies that replied to the second survey. Present benefits are compared with the benefits they provided in 1949. In this way, a rough picture can be obtained of the changes made in group insurance plans during the seven years that negotiated welfare programs have become prominent.

This report was recently mailed to Associates. If you do not have a copy, write The Conference Board and ask for:

TRENDS IN COMPANY GROUP INSURANCE PROGRAMS

Studies in Personnel Policy, No. 159